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असाधारण

EXTRAORDINARY

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PART II — Section 2

प्राधिकार से प्रकाशित

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in the Lok Sabha on 9th May, 2005:—

BILL No. 69 OF 2005

A Bill to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Fifty-sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Special Economic Zones Act, 2005.

(2) It extends to the whole of India.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

Short title,
extent and
commence-
ment.

Definitions.

2. In this Act, unless the context otherwise requires,—

(a) "appointed day" with reference to a Special Economic Zone means the date on which the Special Economic Zone is notified by the Central Government under sub-section (1) of section 4;

(b) "Approval Committee" means an Approval Committee constituted under sub-section (1) of section 13;

(c) "authorised operations" means operations which may be authorised under sub-section (2) of section 4 and sub-section (9) of section 15;

(d) "Authority" means a Special Economic Zone Authority constituted under sub-section (1) of section 31;

(e) "Board" means the Board of Approval constituted under sub-section (1) of section 8;

(f) "Co-Developer" means a person who, or a State Government which, has been granted by the Central Government a letter of approval under sub-section (12) of section 3;

(g) "Developer" means a person who, or a State Government which, has been granted by the Central Government a letter of approval under sub-section (10) of section 3 and includes an Authority and a Co-Developer;

(h) "Development Commissioner" means the Development Commissioner appointed for one or more Special Economic Zones under sub-section (1) of section 11;

(i) "Domestic Tariff Area" means the whole of India (including the territorial waters and continental shelf) but does not include the areas of the Special Economic Zones;

(j) "entrepreneur" means a person who has been granted a letter of approval by the Development Commissioner under sub-section (9) of section 15;

(k) "existing Special Economic Zone" means every Special Economic Zone which is in existence on or before the commencement of this Act;

(l) "existing Unit" means every Unit which has been set up on or before the commencement of this Act in an existing Special Economic Zone;

(m) "export" means—

(i) taking goods, or providing services, out of India, from a Special Economic Zone, by land, sea or air or by any other mode, whether physical or otherwise; or

(ii) supplying goods, or providing services, from the Domestic Tariff Area to a Unit or Developer; or

(iii) supplying goods, or providing services, from one Unit to another Unit or Developer, in the same or different Special Economic Zone;

(n) "Free Trade and Warehousing Zone" means a Special Economic Zone wherein mainly trading and warehousing and other activities related thereto are carried on;

(o) "import" means—

(i) bringing goods or receiving services, in a Special Economic Zone, by a Unit or Developer from a place outside India by land, sea or air or by any other mode, whether physical or otherwise; or

(ii) receiving goods, or services by a Unit or Developer from another Unit or Developer of the same Special Economic Zone or a different Special Economic Zone;

(p) "infrastructure facilities" means industrial, commercial or social infrastructure or other facilities necessary for the development of a Special Economic Zone or such other facilities which may be prescribed;

(q) "International Financial Services Centre" means an International Financial Services Centre which has been approved by the Central Government under sub-section (1) of section 18;

(r) "manufacture" means to make, produce, fabricate, assemble, process or bring into existence, by hand or by machine, a new product having a distinctive name, character or use and shall include processes such as refrigeration, cutting, polishing, blending, repair, remaking, re-engineering and includes agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture, viticulture and mining;

(s) "notification" means a notification published in the Official Gazette and the expression "notify" shall be construed accordingly;

(t) "notified offences" means the offences specified as such under sub-section (1) of section 21;

(u) "Offshore Banking Unit" means a branch of a bank located in a Special Economic Zone and which has obtained the permission under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949;

(v) "person" includes an individual, whether resident in India or outside India, a Hindu undivided family, co-operative society, a company, whether incorporated in India or outside India, a firm, proprietary concern, or an association of persons or body of individuals, whether incorporated or not, local authority and any agency, office or branch owned or controlled by such individual, Hindu undivided family, co-operative, association, body, authority or company;

(w) "prescribed" means prescribed by rules made by the Central Government under this Act;

(x) "Reserve Bank" means the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934;

(y) "Schedule" means Schedules to this Act;

(z) "services" means such tradable services which,—

(i) are covered under the General Agreement on Trade in Services annexed as IB to the Agreement establishing the World Trade Organisation concluded at Marrakesh on the 15th day of April, 1994;

(ii) may be prescribed by the Central Government for the purposes of this Act; and

(iii) earn foreign exchange;

(za) "Special Economic Zone" means each Special Economic Zone notified under the proviso to sub-section (4) of section 3 and sub-section (1) of section 4 (including Free Trade and Warehousing Zone) and includes an existing Special Economic Zone;

(zb) "State Government" means a State Government of the State in which a Special Economic Zone is established or proposed to be established;

(zc) "Unit" means a Unit set up by an entrepreneur in a Special Economic Zone and includes an existing Unit, an Offshore Banking Unit and a Unit in an International Financial Services Centre, whether established before or established after the commencement of this Act;

10 of 1949.

2 of 1934.

(za) all other words and expressions used and not defined in this Act but defined in the Central Excise Act, 1944, the Industries (Development and Regulation) Act, 1951, the Income-tax Act, 1961, the Customs Act, 1962 and the Foreign Trade (Development and Regulation) Act, 1992 shall have the meanings respectively assigned to them in those Acts.

1 of 1944.
65 of 1951.
43 of 1961.
52 of 1962.
22 of 1992.

CHAPTER II

ESTABLISHMENT OF SPECIAL ECONOMIC ZONE

Procedure for making proposal to establish a Special Economic Zone.

3. (1) A Special Economic Zone may be established under this Act, either jointly or severally by the Central Government, State Government, or any person for manufacture of goods or rendering services or for both or as a Free Trade and Warehousing Zone.

(2) Any person, who intends to set up a Special Economic Zone, may, after identifying the area, make a proposal to the State Government concerned for the purpose of setting up the Special Economic Zone.

(3) Notwithstanding anything contained in sub-section (2), any person, who intends to set up a Special Economic Zone, may, after identifying the area, at his option, make a proposal directly to the Board for the purpose of setting up the Special Economic Zone:

Provided that where such a proposal has been received directly from a person under this sub-section, the Board may grant approval and after receipt of such approval, the person concerned shall obtain the concurrence of the State Government within the period, as may be prescribed.

(4) In case a State Government intends to set up a Special Economic Zone, it may after identifying the area, forward the proposal directly to the Board for the purpose of setting up the Special Economic Zone:

Provided that the Central Government may, after identifying the area, *suo moto* set up and notify a Special Economic Zone without referring the proposal to the State Government concerned or the Board.

(5) Every proposal under sub-sections (2) to (4) shall be made in such form and manner containing such particulars as may be prescribed.

(6) The State Government may, on receipt of the proposal made under sub-section (2), forward the same together with its recommendations to the Board within such period as may be prescribed.

(7) Without prejudice to the provisions contained in sub-section (8), the Board may, after receipt of the proposal under sub-sections (2) to (4), approve the proposal subject to such terms and conditions as it may deem fit to impose, or modify or reject the proposal.

(8) The Central Government may prescribe the following requirements for establishment of a Special Economic Zone, namely:—

(a) the minimum area of land and other terms and conditions subject to which the Board shall approve, modify or reject any proposal received by it under sub-sections (2) to (4); and

(b) the terms and conditions, subject to which the Developer shall undertake the authorised operations and his obligations and entitlements:

Provided that different minimum area of land and other terms and conditions referred to in clause (a) may be prescribed by the Central Government for a class or classes of Special Economic Zones.

(9) If the Board,—

(a) approves without any modification, the proposal received under sub-sections (2) to (4), it shall communicate the same to the Central Government;

(b) approves with modifications the proposal received under sub-sections (2) to (4), it shall, communicate such modifications to the person or the State Government concerned and if such modifications have been accepted by such person or State Government, the Board shall communicate the approval to the Central Government;

(c) rejects the proposal, received under sub-sections (2) to (4), it shall record the reasons therefor and communicate the rejection to the Central Government which shall intimate to the State Government or the person concerned.

(10) The Central Government shall, on receipt of communication under clause (a) or clause (b) of sub-section (9), grant, within such time as may be prescribed, a letter of approval on such terms and conditions and obligations and entitlements as may be approved by the Board, to the Developer, being the person or the State Government concerned:

Provided that the Central Government may, on the basis of approval of the Board, approve more than one Developer in a Special Economic Zone in cases where one Developer does not have in his possession the minimum area of contiguous land, as may be prescribed, for setting up a Special Economic Zone and in such cases, each Developer shall be considered as a Developer in respect of the land in his possession.

(11) Any person who, or a State Government which, intends to provide any infrastructure facilities in the identified area referred to in sub-sections (2) to (4), or undertake any authorised operation may, after entering into an agreement with the Developer referred to in sub-section (10), make a proposal for the same to the Board for its approval and the provisions of sub-section (5) and sub-sections (7) to (10) shall, as far as may be, apply to the said proposal made by such person or State Government.

(12) Every person or State Government referred to in sub-section (11), whose proposal has been approved by the Board and who, or which, has been granted letter of approval by the Central Government, shall be considered as a Co-Developer of the Special Economic Zone.

(13) Subject to the provisions of this section and the letter of approval granted to a Developer, the Developer may allocate space or built up area or provide infrastructure services to the approved units in accordance with the agreement entered into by him with the entrepreneurs of such Units.

4. (1) The Developer shall, after the grant of letter of approval under sub-section (10) of section 3, submit the exact particulars of the identified area referred to in sub-sections (2) to (4) of that section, to the Central Government and thereupon that Government may, after satisfying that the requirements, under sub-section (8) of section 3 and other requirements, as may be prescribed, are fulfilled, notify the specifically identified area in the State as a Special Economic Zone:

Establishment of Special Economic Zone and approval and authorisation to operate it to, Developer.

Provided that an existing Special Economic Zone shall be deemed to have been notified and established in accordance with the provisions of this Act and the provisions of this Act shall, as far as may be, apply to such Zone accordingly:

Provided further that the Central Government may, after notifying the Special Economic Zone, if it considers appropriate, notify subsequently any additional area to be included as a part of that Special Economic Zone.

(2) After the appointed day, the Board may, authorise the Developer to undertake in a Special Economic Zone, such operations which the Central Government may authorise.

5. The Central Government, while notifying any area as a Special Economic Zone or an additional area to be included in the Special Economic Zone and discharging its functions under this Act, shall be guided by the following, namely:—

Guidelines for notifying Special Economic Zone.

- (a) generation of additional economic activity;
- (b) promotion of exports of goods and services;
- (c) promotion of investment from domestic and foreign sources;
- (d) creation of employment opportunities;
- (e) development of infrastructure facilities; and

(f) maintenance of sovereignty and integrity of India, the security of the State and friendly relations with foreign States.

Processing
and non-
processing
areas.

6. The areas falling within the Special Economic Zones may be demarcated by the Central Government or any authority specified by it as—

- (a) the processing area for setting up Units for activities, being the manufacture of goods, or rendering services; or
- (b) the area exclusively for trading or warehousing purposes; or
- (c) the non-processing areas for activities other than those specified under clause (a) or clause (b).

Exemption
from taxes,
duties or cess.

7. Any goods or services exported out of, or imported into, or procured from the Domestic Tariff Area by,—

- (i) a Unit in a Special Economic Zone; or
- (ii) a Developer,

shall, subject to such terms, conditions and limitations, as may be prescribed, be exempt from the payment of taxes, duties or cess under all enactments specified in the First Schedule.

CHAPTER III

CONSTITUTION OF BOARD OF APPROVAL

Constitution
of Board of
Approval.

8. (1) The Central Government shall, within fifteen days of the commencement of this Act, by notification, constitute, for the purposes of this Act, a Board to be called the Board of Approval.

(2) The Board shall consist of—

(a) an officer not below the rank of an Additional Secretary to the Government of India in the Ministry or Department of the Central Government dealing with commerce—Chairperson, *ex officio*;

(b) two officers, not below the rank of a Joint Secretary to the Government of India, to be nominated by the Central Government to represent the Ministry or Department of the Central Government dealing with revenue—Members, *ex officio*;

(c) one officer not below the rank of a Joint Secretary to the Government of India to be nominated by the Central Government to represent the Ministry or Department of the Central Government dealing with economic affairs (financial services)—Member, *ex officio*;

(d) such number of officers, not exceeding ten, not below the rank of the Joint Secretary to the Government of India, to be nominated by the Central Government to represent the Ministries or Departments of the Central Government dealing with commerce, industrial policy and promotion, science and technology, small scale industries and agro and rural industries, home affairs, defence, environment and forests, law, overseas Indian affairs and urban development—Members, *ex officio*;

(e) a nominee of the State Government concerned—Member, *ex officio*;

(f) the Director General of Foreign Trade or his nominee—Member, *ex officio*;

(g) the Development Commissioner concerned—Member, *ex officio*;

(h) a Professor in the Indian Institute of Management, being a society registered under the Societies Registration Act, 1860 or the Indian Institute of Foreign Trade, being a society registered under the Societies Registration Act, 1860, as may be, nominated by the Central Government—Member, *ex officio*;

21 of 1860.

(i) an officer not below the rank of Deputy Secretary to the Government of India dealing with the Special Economic Zones in the Ministry or Department of the Central Government, dealing with commerce to be nominated by the Central Government—Member-Secretary, *ex officio*;

Provided that the member, being the Joint Secretary, nominated under clauses (b) to (d) of this sub-section may, if he is unable to attend the meeting of the Board, authorise any other officer to attend the meeting of the Board on his behalf.

(3) The term of office of an *ex officio* Member shall come to an end as soon as he ceases to hold the office by virtue of which he was so nominated.

(4) For the purposes of performing its functions, the Board may co-opt as members, such number of persons as it deems fit, who have special knowledge of, and practical experience in, matters relating to, or relevant to activity connected with the Special Economic Zones and any such person shall have the right to take part in the discussions of the Board but shall not be counted for the quorum and shall not be a member for any other purpose and such person shall be entitled to receive such allowances or fees, as the case may be, fixed by the Board.

(5) The Board shall meet at such times and places as may be appointed by it and shall have the power to regulate its own procedure.

(6) One-third of the total Members of the Board shall form a quorum, and all the acts of the Board shall be decided by a general consensus of the Members present.

(7) No act or proceeding of the Board shall be called in question on the ground merely of existence of any vacancy in, or any defect in the constitution of, the Board.

(8) All orders and decisions of the Board and all other instruments issued by it shall be authenticated by the signature of the Member-Secretary, or any other Member as may be authorised by the Board in this behalf.

9. (1) Subject to the provisions of this Act, the Board shall have the duty to promote and ensure orderly development of the Special Economic Zones.

(2) Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Board shall include—

(a) granting of approval or rejecting proposal or modifying such proposals for establishment of the Special Economic Zones;

(b) granting approval of authorised operations to be carried out in the Special Economic Zones by the Developer;

(c) granting of approval to the Developers or Units (other than the Developers or the Units which are exempt from obtaining approval under any law or by the Central Government) for foreign collaborations and foreign direct investments (including investments by a person resident outside India), in the Special Economic Zone for its development, operation and maintenance;

(d) granting of approval or rejecting of proposal for providing infrastructure facilities in a Special Economic Zone or modifying such proposals;

(e) granting, notwithstanding anything contained in the Industries (Development and Regulation) Act, 1951, a licence to an industrial undertaking referred to in clause (d) of section 3 of that Act, if such undertaking is established, as a whole or part thereof, or proposed to be established, in a Special Economic Zone;

(f) suspension of the letter of approval granted to a Developer and appointment of an Administrator under sub-section (1) of section 10;

(g) disposing of appeals preferred under sub-section (4) of section 15;

(h) disposing of appeals preferred under sub-section (4) of section 16;

(i) performing such other functions as may be assigned to it by the Central Government.

(3) The Board may, if so required for purposes of this Act or any other law for the time being in force relating to Special Economic Zones, by notification, decide as to whether a particular activity constitutes manufacture as defined in clause (r) of section 2 and such decision of the Board shall be binding on all Ministries and Departments of the Central Government.

(4) The Board may delegate such powers and functions as it may deem fit to one or more Development Commissioners for effective and proper discharge of the functions of the Board.

(5) Without prejudice to the foregoing provisions of this Act, the Board shall, in exercise of its powers or the performance of its functions under this Act, be bound by such

Duties,
powers and
functions of
Board.

directions on questions of policy as the Central Government may give in writing to it from time to time.

(6) The decision of the Central Government whether a question is one of policy or not shall be final:

Suspension of
letter of
approval and
transfer of
Special
Economic
Zone in
certain cases.

10. (1) If, at any time, the Board is of the opinion that a Developer—

(a) is unable to discharge the functions or perform the duties imposed on him by or under the provisions of this Act or rules made thereunder; or

(b) has persistently defaulted in complying with any direction given by the Board under this Act; or

(c) has violated the terms and conditions of the letter of approval; or

(d) whose financial position is such that he is unable to fully and efficiently discharge the duties and obligations imposed on him by the letter of approval, and

the circumstances exist which render it necessary for it in public interest so to do, the Board may, on application, or with the consent of the Developer, or otherwise, for reasons to be recorded in writing, suspend the letter of approval, granted to the Developer for a whole or part of his area established as Special Economic Zone, for a period not exceeding one year and appoint an Administrator to discharge the functions of the Developer in accordance with the terms and conditions of the letter of approval and manage the Special Economic Zone accordingly.

(2) Consequent upon appointment of an Administrator, the management of the Special Economic Zone of the Developer referred to in sub-section (1) shall vest in the Administrator.

(3) No letter of approval shall be suspended under sub-section (1) unless the Board has given to the Developer not less than three months' notice, in writing, stating the grounds on which it proposes to suspend the letter of approval, and has considered any cause shown by the Developer within the period of that notice, against the proposed suspension.

(4) The Board may, instead of suspending the letter of approval under sub-section (1), permit it to remain in force subject to such further terms and conditions as it thinks fit to impose, and any further terms or conditions so imposed shall be binding upon and be complied with by the Developer and shall be of like force and effect as if they were contained in the letter of approval.

(5) In case the Board suspends a letter of approval under this section, it shall serve a notice of suspension upon the Developer and fix a date on which the suspension shall take effect.

(6) Upon suspension of the letter of approval under sub-section (1), the Special Economic Zone of the Developer referred to in sub-section (5) shall vest in the Administrator under sub-section (2) for a period not exceeding one year or up to the date on which the letter of approval for such Special Economic Zone is transferred, whichever is earlier, in accordance with the provisions contained in sub-sections (7) and (9), as the case may be.

(7) Where the Board has given notice for suspension of letter of approval under sub-section (5), the Developer may, after prior approval of the Board, transfer his letter of approval to any person who is found eligible by the Board for grant of such approval.

(8) If at any time, it appears to the Board that the purpose of the order appointing the Administrator has been fulfilled or that for any reason it is undesirable that the order of appointment should remain in force, the Board may cancel the order and thereupon the Administrator shall be divested of the management of the Special Economic Zone which shall, unless otherwise directed by the Board, again vest in the person, being the Developer, in whom it was vested immediately prior to the date of appointment of the Administrator.

(9) Where the Board suspends the letter of approval, under this section, in respect of any Developer, the following provisions shall apply, namely:—

(a) the Board shall invite applications for transferring the letter of approval of the Developer, whose approval has been suspended and select the person or persons, in accordance with the procedure as may be prescribed, to whom the letter of approval of the Developer in the Special Economic Zone may be transferred;

(b) upon selection of person or persons under sub-clause (a), the Board may, by notice in writing, require the Developer to transfer his letter of approval in a Special Economic Zone to the person or persons so selected and thereupon the Developer shall transfer his interests, rights and liabilities in the Special Economic Zone to any of the persons (hereafter in this section referred to as the "transferee") who has been selected by the Board on such terms and conditions and consideration as may be agreed upon between the Developer and the transferee;

(c) all the rights, duties, obligations and liabilities of the Developer, on and from the date of suspension of letter of approval or on and from the date, if earlier, on which his letter of approval in the Special Economic Zone of the Developer has been transferred to the transferee, shall cease absolutely except for any liabilities which have accrued prior to that date;

(d) the Board may make such interim arrangements in regard to the operation of the Special Economic Zone as may be considered appropriate;

(e) the Administrator shall exercise such powers and discharge such functions as the Board may direct.

(10) The Board may, in order to promote export or to protect the interest of Units or in the public interest, issue such directions or formulate such scheme as it may consider necessary for operation of the Special Economic Zone.

CHAPTER IV

DEVELOPMENT COMMISSIONER

11. (1) The Central Government may appoint any of its officers not below the rank of Deputy Secretary to the Government of India as the Development Commissioner of one or more Special Economic Zones.

Development
Commissioner.

(2) The Central Government may appoint such officers and other employees as it considers necessary to assist the Development Commissioner in the performance of his functions in the Special Economic Zones established by a Developer (other than the Central Government) under this Act on such terms and conditions as it deems fit.

(3) Every Development Commissioner, officer and other employee shall be entitled to such salary and allowances and subject to such terms and conditions of service in respect of leave, pension, provident fund and other matters as may, from time to time, be specified by the Central Government.

12. (1) Every Development Commissioner shall take all steps in order to discharge his functions under this Act to ensure speedy development of the Special Economic Zone and promotion of exports therefrom.

Functions of
Development
Commissioner.

(2) Without prejudice to the generality of the foregoing provisions, the Development Commissioner shall—

(a) guide the entrepreneurs for setting up of Units in the Special Economic Zone;

(b) ensure and take suitable steps for effective promotion of exports from the Special Economic Zone;

(c) ensure proper co-ordination with the Central Government or State Government Departments concerned or agencies with respect to, or for the purposes, of clauses (a) and (b);

(d) monitor the performance of the Developer and the Units in a Special Economic Zone;

(e) discharge such other functions as may be assigned to him by the Central Government under this Act or any other law for the time being in force; and

(f) discharge such other functions as may be delegated to him by the Board.

(3) Every Development Commissioner shall be overall in-charge of the Special Economic Zone and shall exercise administrative control and supervision over the officers and employees appointed under sub-section (2) of section 11 (including the officials deputed to such Special Economic Zone) to discharge any of the functions under this Act.

(4) Without prejudice to the provisions of sub-sections (1) to (3), every Development Commissioner shall discharge such functions and exercise such powers as may be delegated to him by a general or special order by the Central Government or the State Government concerned, as the case may be.

(5) Every Development Commissioner may call for such information from a Developer or Unit from time to time as may be necessary to monitor the performance of the Developer or the Unit, as the case may be.

(6) The Development Commissioner may delegate any or all of his powers or functions to any of the officers employed under him.

CHAPTER V

SINGLE WINDOW CLEARANCE

Constitution
of Approval
Committee.

13. (1) The Central Government shall,—

(a) in the case of existing Special Economic Zones, within six months from the date of commencement of this Act;

(b) in case of other Special Economic Zones established after the commencement of this Act, within six months from the date of establishment of such Special Economic Zone,

by notification, constitute a Committee for every Special Economic Zone, to be called the Approval Committee to exercise the powers and perform the functions specified in section 14.

(2) Every Approval Committee shall consist of—

(a) the Development Commissioner—Chairperson, *ex officio*;

(b) two officers of the Central Government to be nominated by that Government—Members, *ex officio*;

(c) two officers of the Central Government to be nominated by that Government to represent the Ministry or Department dealing with revenue—Members, *ex officio*;

(d) one officer of the Central Government to be nominated by that Government to represent the Ministry or Department dealing with economic affairs (financial services)—Member, *ex officio*;

(e) two officers of the State Government concerned to be nominated by that State Government—Members, *ex officio*;

(f) a representative of the Developer concerned—Special invitee.

(3) For the purpose of exercising its powers and performing its functions, the Approval Committee may invite to its meetings, such persons as the Committee deems fit, whose assistance or advice it may consider necessary.

(4) Every Approval Committee shall meet at such times and places as it considers necessary and shall have the power to regulate its own procedure.

(5) One-half of the total Members of the Approval Committee shall form a quorum, and all the acts of the Approval Committee shall be decided by a general consensus of the Members present:

Provided that in case the Approval Committee is unable to decide any matter by a general consensus, such matter shall stand referred to the Board of Approval for its decision.

(6) No act of the Approval Committee shall be called in question on the ground merely of existence of any vacancy in, or any defect in the constitution of, the Approval Committee.

(7) All orders and decisions of the Approval Committee and all other communications issued by it shall be authenticated by the signature of the Chairperson or any other member as may be authorised by the Approval Committee in this behalf.

(8) The term of office of an *ex officio* Member shall come to an end as soon as he ceases to hold office by virtue of which he was so nominated.

14. (1) Every Approval Committee may discharge the functions and exercise the powers in respect of the following matters, namely:—

Powers and
functions of
Approval
Committee.

(a) approve the import or procurement of goods from the Domestic Tariff Area, in the Special Economic Zone for carrying on the authorised operations by a Developer;

(b) approve the providing of services by a service provider, from outside India, or from the Domestic Tariff Area, for carrying on the authorised operations by the Developer, in the Special Economic Zone;

(c) monitor the utilisation of goods or services or warehousing or trading in the Special Economic Zone;

(d) approve, modify or reject proposals for setting up Units for manufacturing or rendering services or warehousing or trading in the Special Economic Zone [other than the grant of licence under clause (e) of sub-section (2) of section 9] in accordance with the provisions of sub-section (8) of section 15:

Provided that where the Approval Committee is unable to decide whether a particular process constitutes manufacture or not it shall refer the same to the Board of Approval for decision;

(e) allow, on receipt of approval under clause (c) of sub-section (2) of section 9, foreign collaborations and foreign direct investments (including investments by a person outside India) for setting up a Unit;

(f) monitor and supervise compliance of conditions subject to which the letter of approval or permission, if any, has been granted to the Developer or entrepreneur; and

(g) perform such other functions as may be entrusted to it by the Central Government or the State Government concerned, as the case may be.

(2) The Approval Committee shall not discharge such functions and exercise such powers referred to in sub-section (1) in relation to a Developer, being the Central Government, as may be specified, by notification, by the Central Government:

Provided that till such time, the Approval Committee is constituted, the concerned Development Commissioner shall discharge all functions and exercise all powers of the Approval Committee.

15. (1) Any person, who intends to set up a Unit for carrying on the authorised operations in a Special Economic Zone, may submit a proposal to the Development Commissioner concerned in such form and manner containing such particulars as may be prescribed:

Setting up of
Unit.

Provided that an existing Unit shall be deemed to have been set up in accordance with the provisions of this Act and such Units shall not require approval under this Act.

(2) On receipt of the proposal under sub-section (1), the Development Commissioner shall submit the same to the Approval Committee for its approval.

(3) The Approval Committee may, either approve the proposal without modification, or approve the proposal with modifications subject to such terms and conditions as it may deem fit to impose, or reject the proposal in accordance with the provisions of sub-section (8):

Provided that in case of modification or rejection of a proposal, the Approval Committee shall afford a reasonable opportunity of being heard to the person concerned and after recording the reasons, either modify or reject the proposal.

(4) Any person aggrieved by an order of the Approval Committee, made under sub-section (3), may prefer an appeal to the Board within such time as may be prescribed.

(5) No appeal shall be admitted if it is preferred after the expiry of the time prescribed therefor:

Provided that an appeal may be admitted after the expiry of the period prescribed therefor if the appellant satisfies the Board that he had sufficient cause for not preferring the appeal within the prescribed time.

(6) Every appeal made under sub-section (4) shall be in such form and shall be accompanied by a copy of the order appealed against and by such fees as may be prescribed.

(7) The procedure for disposing of an appeal shall be such as may be prescribed:

Provided that before disposing of an appeal, the appellant shall be given a reasonable opportunity of being heard.

(8) The Central Government may prescribe,—

(a) the requirements (including the period for which a Unit may be set up) subject to which the Approval Committee shall approve, modify or reject any proposal referred to in sub-section (3);

(b) the terms and conditions, subject to which the Unit shall undertake the authorised operations and its obligations and entitlements.

(9) The Development Commissioner may, after approval of the proposal referred to in sub-section (3), grant a letter of approval to the person concerned to set up a Unit and undertake such operations which the Development Commissioner may authorise and every such operation so authorised shall be mentioned in the letter of approval.

Cancellation
of letter of
approval to
entrepreneur.

16. (1) The Approval Committee may, at any time, if it has any reason or cause to believe that the entrepreneur has persistently contravened any of the terms and conditions or its obligations subject to which the letter of approval was granted to the entrepreneur, cancel the letter of approval:

Provided that no such letter of approval shall be cancelled unless the entrepreneur has been afforded a reasonable opportunity of being heard.

(2) Where the letter of approval has been cancelled under sub-section (1), the Unit shall not, from the date of such cancellation, be entitled to any exemption, concession, benefit or deduction available to it, being a Unit, under this Act.

(3) Without prejudice to the provisions of this Act, the entrepreneur whose letter of approval has been cancelled under sub-section (1), shall remit, the exemption, concession, drawback and any other benefit availed by him in respect of the capital goods, finished goods lying in stock and unutilised raw materials relatable to his Unit, in such manner as may be prescribed.

(4) Any person aggrieved by an order of the Approval Committee made under sub-section (1), may prefer an appeal to the Board within such time as may be prescribed.

(5) No appeal shall be admitted if it is preferred after the expiry of the time prescribed therefor:

Provided that an appeal may be admitted after the expiry of the period prescribed therefor if the appellant satisfies the Board that he had sufficient cause for not preferring the appeal within the prescribed time.

(6) Every appeal made under sub-section (4) shall be in such form and shall be accompanied by a copy of the order appealed against and by such fees as may be prescribed.

(7) The procedure for disposing of an appeal shall be such as may be prescribed:

Provided that before disposing of an appeal, the appellant shall be given a reasonable opportunity of being heard.

Setting up and
operation of
Offshore
Banking Unit.

17. (1) An application for setting up and operation of an Offshore Banking Unit in a Special Economic Zone may be made to the Reserve Bank in such form and manner as may be prescribed.

(2) On receipt of an application under sub-section (1), the Reserve Bank shall, if it is satisfied that the applicant fulfils all the conditions specified under sub-section (3), grant permission to such applicant for setting up and operation of an Offshore Banking Unit.

(3) The Reserve Bank may, by notification, specify the terms and conditions subject to which an Offshore Banking Unit may be set up and operated in the Special Economic Zone.

18. (1) The Central Government may approve the setting up of an International Financial Services Centre in a Special Economic Zone and prescribe the requirements for setting up and operation of such Centre:

Setting up of International Financial Services Centre.

Provided that the Central Government shall approve only one International Financial Services Centre in a Special Economic Zone.

(2) The Central Government may, subject to such guidelines as may be framed by the Reserve Bank, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority and such other concerned authorities, as it deems fit, prescribe the requirements for setting up and the terms and conditions of the operation of Units in an International Financial Services Centre.

19. Notwithstanding anything contained in any other law for the time being in force, the Central Government may, if required,—

Single application form, return, etc.

(a) prescribe a single application form for obtaining any licence, permission or registration or approval by a Developer, or an entrepreneur under one or more Central Acts;

(b) authorise the Board, the Development Commissioner or Approval Committee, to exercise the powers of the Central Government on matters relating to the development of a Special Economic Zone or setting up and operation of Units;

(c) prescribe a single form for furnishing returns or information by a Developer or an entrepreneur under one or more Central Acts.

20. Notwithstanding anything contained in any other law for the time being in force, the Central Government may, by notification, specify any officer or agency to carry out surveys or inspections for securing of compliance with the provisions of any Central Act by a Developer or an entrepreneur, as the case may be, and such officer or agency shall submit verification and compliance reports, in such manner and within such time as may be specified in the said notification.

Agency to inspect.

21. (1) The Central Government may, by notification, specify any act or omission made punishable under any Central Act, as notified offence for the purposes of this Act.

Single enforcement officer or agency for notified offences.

(2) The Central Government may, by general or special order, authorise any officer or agency to be the enforcement officer or agency in respect of any notified offence or offences committed in a Special Economic Zone.

(3) Every officer or agency authorised under sub-section (2) shall have all the corresponding powers of investigation, inspection, search or seizure as is provided under the relevant Central Act in respect of the notified offences.

22. The agency or officer, specified under section 20 or section 21, may, with prior intimation to the Development Commissioner concerned, carry out the investigation inspection and search or seizure in the Special Economic Zone or in a Unit if such agency or officer has reasons to believe (reasons to be recorded in writing) that a notified offence has been committed or is likely to be committed in the Special Economic Zone:

Investigation, inspection and search or seizure.

Provided that no investigation, inspection and search or seizure shall be carried out in a Special Economic Zone by any agency or officer other than those referred to in sub-section (2) or sub-section (3) of section 21 without prior approval of the Development Commissioner concerned:

Provided further that any officer or agency, if so authorised by the Central Government, may carry out the investigation, inspection and search or seizure in the Special Economic Zone or Unit without prior intimation or approval of the Development Commissioner.

Designated
Courts to try
suits and
notified
offences.

23. (1) The State Government, in which the Special Economic Zone is situated, may, with the concurrence of the Chief Justice of the High Court of that State, designate one or more courts—

(a) to try all suits of a civil nature arising in the Special Economic Zone; and

(b) to try notified offences committed in the Special Economic Zone.

(2) No court, other than the court designated under sub-section (1), shall try any suit or conduct the trial of any notified offence referred to in that sub-section:

Provided that the courts, in which any suit of a civil nature in a Special Economic Zone had been filed before the commencement of this Act, shall continue to try such suit after such commencement:

Provided further that the courts in which any trial of any notified offence is being conducted before the commencement of this Act, shall continue to conduct the trial of such offence after the commencement of this Act:

Provided also that the courts competent to try any notified offence, before the commencement of this Act, shall conduct the trial in respect of such offence after the commencement of this Act until the courts have been designated under sub-section (1) and all such cases relating to such trials shall thereafter be transferred to such courts so designated which shall conduct the trial from the stage at which such cases were so transferred.

Appeal to
High Court.

24. Any person aggrieved, by any decision or order of the court designated under sub-section (1) of section 23, may file an appeal to the High Court within sixty days from the date of communication of the decision or order of the courts so designated to him on any question of fact or law arising out of such orders:

Provided that the High Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing an appeal within the said period, allow it to be filed within a further period not exceeding sixty days.

Explanation.—In section 23 and in this section “High Court” means the High Court of the State in which the Special Economic Zone is situated.

Offences by
companies.

25. (1) Where an offence has been committed by a company, every person, who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided for the offence, if he has proved that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where an offence has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section,—

(a) “company” means any body corporate and includes a firm or other association of individuals; and

(b) “director”, in relation to a firm, means a partner in the firm.

CHAPTER VI

SPECIAL FISCAL PROVISIONS FOR SPECIAL ECONOMIC ZONES

26. (1) Subject to the provisions of sub-section (2), every Developer and the entrepreneur shall be entitled to the following exemptions, drawbacks and concessions, namely:—

Exemptions, drawbacks and concessions to every Developer and entrepreneur.

52 of 1962.
51 of 1975.

(a) exemption from any duty of customs, under the Customs Act, 1962 or the Customs Tariff Act, 1975 or any other law for the time being in force, on goods imported into, or service provided in, a Special Economic Zone or a Unit, to carry on the authorised operations by the Developer or entrepreneur;

52 of 1962.
51 of 1975.

(b) exemption from any duty of customs, under the Customs Act, 1962 or the Customs Tariff Act, 1975 or any other law for the time being in force, on goods exported from, or services provided, from a Special Economic Zone or from a Unit, to any place outside India;

1 of 1944.
5 of 1986.

(c) exemption from any duty of excise, under the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or any other law for the time being in force, on goods brought from Domestic Tariff Area to a Special Economic Zone or Unit, to carry on the authorised operations by the Developer or entrepreneur;

(d) drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the Domestic Tariff Area into a Special Economic Zone or Unit or services provided in a Special Economic Zone or Unit by the service providers located outside India to carry on the authorised operations by the Developer or entrepreneur;

32 of 1994.

(e) exemption from service tax under Chapter V of the Finance Act, 1994 on taxable services provided to a Developer or Unit to carry on the authorised operations in a Special Economic Zone;

23 of 2004.

(f) exemption from the securities transaction tax leviable under section 98 of the Finance (No. 2) Act, 2004 in case the taxable securities transactions are entered into by a non-resident through the International Financial Services Centre;

74 of 1956.

(g) exemption from the levy of taxes on the sale or purchase of goods other than newspapers under the Central Sales Tax Act, 1956 if such goods are meant to carry on the authorised operations by the Developer or entrepreneur.

(2) The Central Government may prescribe the manner in which, and the terms and conditions subject to which, the exemptions, concessions, draw back or other benefits shall be granted to the Developer or entrepreneur under sub-section (1).

43 of 1961.

27. The provisions of the Income-tax Act, 1961, as in force for the time being, shall apply to, or in relation to, the Developer or entrepreneur for carrying on the authorised operations in a Special Economic Zone or Unit subject to the modifications specified in the Second Schedule.

Provisions of Income-tax Act, 1961 to apply with certain modification in relation to Developers and entrepreneurs.

28. The Central Government may prescribe the period during which any goods brought into, or services provided in, any Unit or Special Economic Zone without payment of taxes, duties or cess shall remain or continue to be provided in such Unit or Special Economic Zone.

Duration of goods or services in Special Economic Zones.

Transfer of ownership and removal of goods.
Domestic clearance by Units.

29. The transfer of ownership in any goods brought into, or produced or manufactured in, any Unit or Special Economic Zone or removal thereof from such Unit or Zone shall be allowed, subject to such terms and conditions as the Central Government may prescribe.

30. Subject to the conditions specified in the rules made by the Central Government in this behalf,—

(a) any goods removed from a Special Economic Zone to the Domestic Tariff Area shall be chargeable to duties of customs including anti-dumping, countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported; and

(b) the rate of duty and tariff valuation, if any, applicable to goods removed from a Special Economic Zone shall be at the rate and tariff valuation in force as on the date of such removal, and where such date is not ascertainable, on the date of payment of duty.

51 of 1975.

CHAPTER VII

SPECIAL ECONOMIC ZONE AUTHORITY

Constitution of Authority.

31. (1) The Central Government shall, by notification in the Official Gazette, constitute, for every Special Economic Zone established by it before the commencement of this Act or which may be established by it after such commencement by the Central Government, an Authority to be called the (name of the Special Economic Zone) Authority to exercise the powers conferred on, and discharge the functions assigned to, it under this Act:

Provided that in respect of existing Special Economic Zones established by the Central Government, such Authority shall be constituted by the Central Government within six months from the date of commencement of this Act:

Provided further that until such Authority is constituted, the person or the authority (including the Development Commissioner) exercising control over such existing Special Economic Zones shall continue to exercise such control over the Special Economic Zone till the Authority is constituted.

(2) Every Authority shall be a body corporate by the name aforesaid, having perpetual succession and a common seal, with a power, subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, sue and be sued.

(3) The head office of every Authority shall be at such place as the Central Government may specify in the notification referred to in sub-section (1).

(4) Any Authority may, with the previous approval of the Central Government, establish branch offices at other places in India.

(5) Every Authority shall consist of—

(a) the Development Commissioner of the Special Economic Zone over which the Authority exercises its jurisdiction—Chairperson, *ex officio*;

(b) two officers of the Central Government to be nominated by that Government having knowledge of, or experience in, dealing with matters relating to Special Economic Zones—Members, *ex officio*;

(c) an officer of the Government of India in the Ministry or Department dealing with commerce on matters relating to Special Economic Zone—Member, *ex officio*;

(d) not more than two persons, being entrepreneurs or their nominee, to be nominated by the Central Government—Members, *ex officio*;

(6) The term of office of the Members of an Authority (other than *ex officio* Members) and the manner of filling of vacancies shall be such as may be prescribed.

(7) An Authority may associate with itself in such manner, subject to such conditions and for such purposes as may be prescribed, any person whose assistance or advice it requires in discharging its functions effectively and that person shall be entitled to receive such allowances or fees as may be fixed by the Authority.

(8) One-third of the total Members of the Authority shall form a quorum, and all the acts of the Authority shall be decided by a majority of the Members present.

(9) No act or proceeding of an Authority shall be invalidated merely by reason of—

- (a) any vacancy in, or any defect in the constitution of, the Authority; or
- (b) any defect in the appointment of a person acting as a Member of the Authority; or
- (c) any irregularity in the procedure of the Authority not affecting the merits of the case.

(10) Every Authority shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings (including quorum at such meetings) as may be prescribed.

32. (1) Every Development Commissioner of the Special Economic Zone, for which he is appointed as such, shall be the chief executive of the Authority concerned and exercise such powers and perform such functions as may be prescribed.

Officers of
Authority and
other staff.

(2) Every Authority may, in addition to the officers and employees transferred to it under section 33, appoint such other officers and employees, as it considers necessary for the efficient discharge of its functions under this Act.

(3) The method of appointment, the conditions of service and the scales of pay and allowances of such other officers and employees appointed under sub-section (2) shall be such as may be prescribed.

33. (1) It shall be lawful for the Central Government to transfer to each Authority, by order, and with effect from such date or dates, as may be specified in the order, any officer or other employee holding office as such (except officers or other employees on deputation) in the existing Special Economic Zone concerned:

Special
provision for
transfer of
officers or
other
employees to
Authority.

Provided that the scale of pay of the post to which such officer or other employee is transferred shall not be lower than the scale of pay of the post which he was holding immediately before such transfer and the other terms and conditions of service (including pension, leave, provident fund and medical benefits) of the post to which he is transferred shall not be less favourable than the terms and conditions of service in relation to the post held by him immediately before such transfer:

Provided further that if, immediately before the date of his transfer, any such officer or other employee is officiating in a higher post under the Central Government either in a leave vacancy or in any vacancy of a specified duration, his pay and other allowances, if any, on transfer, shall be protected for the unexpired period of such vacancy and thereafter he shall be entitled to the scale of pay applicable to the post under the Central Government to which he would have reverted but for his transfer to the Authority.

(2) If any question arises as to whether the prescribed terms and conditions of service in respect of any matter, including remuneration, pension, leave, provident fund and medical benefits, are less favourable than those attached to the post held by an officer or other employee immediately before his transfer to the Authority, the decision of the Central Government in the matter shall be final.

34. (1) Subject to the provisions of this Act, it shall be the duty of each Authority to undertake such measures as it thinks fit for the development, operation and management of the Special Economic Zone for which it is constituted.

Functions of
Authority.

(2) Without prejudice to the generality of the provisions of sub-section (1), the measures referred to therein may provide for —

- (a) the development of infrastructure in the Special Economic Zone;
- (b) promoting exports from the Special Economic Zone;
- (c) reviewing the functioning and performance of the Special Economic Zone;
- (d) levy user or service charges or fees or rent for the use of properties belonging to the Authority;
- (e) performing such other functions as may be prescribed.

Grants and
loans by
Central
Government.
Constitution
of Fund and
its
application.

35. The Central Government may, after due appropriation made by Parliament by law in this behalf, make to every Authority by way of grants and loans or such sums of money as that Government may think fit for being utilised for the purposes of this Act.

36. (1) There shall be established by every Authority a Fund to be called the..... (the name of the Special Economic Zone concerned) Authority Fund and there shall be credited thereto—

(a) all sums of money, which the Central Government may, after due appropriation made by Parliament by law in this behalf, provide to the Authority;

(b) all grants or loans that may be made to the Authority under this Act;

(c) all sums received on account of user or service charges or fees or rent for the use of properties belonging to the Authority;

(d) all sums received by the Authority from such other sources as may be decided upon by the Central Government.

(2) The Fund shall be applied for meeting—

(a) the salaries, allowances and other remuneration of the members, officers and other employees of the Authority;

(b) the expenses of the Authority in the discharge of its functions under section 34;

(c) repayment of any loan;

(d) the expenses on objects and for purposes authorised by this Act;

(e) meeting any other administrative expenses of the Authority.

Accounts and
audit.

37. (1) Every Authority shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed by the Central Government, in consultation with the Comptroller and Auditor-General of India.

(2) The accounts of every Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Authority to the Comptroller and Auditor-General of India.

(3) The Comptroller and Auditor-General of India or any person appointed by him in connection with the audit of the accounts of the Authority shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General of India generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Authority.

(4) The accounts of every Authority as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and the Central Government shall cause the same to be laid before each House of Parliament.

Directions by
Central
Government.

38. Every Authority shall be bound to carry out such directions as may be issued to it from time to time by the Central Government for the efficient administration of this Act.

Returns and
reports.

39. (1) Every Authority shall furnish to the Central Government at such time and in such form and manner as may be prescribed or as the Central Government may direct, such returns and statements and such particulars in regard to the promotion and development of exports and the operation and maintenance of the Special Economic Zone and Units as the Central Government may, from time to time, require.

(2) Without prejudice to the provisions of sub-section (1), every Authority shall, as soon as possible, after the end of each financial year, submit to the Central Government a report in such form and before such date, as may be prescribed, giving a true and full account of its activities, policy and programmes during the previous financial year.

(3) A copy of every report received under sub-section (2) shall be laid, as soon as may be, after it is received, before each House of Parliament.

40. (1) If at any time the Central Government is of the opinion that an Authority is unable to perform, or has persistently made default in the performance of the duty imposed on it by or under this Act or has exceeded or abused its powers, or has wilfully or without sufficient cause, failed to comply with any direction issued by the Central Government under section 38, the Central Government may, by notification, supersede that Authority for such period not exceeding six months, as may be specified in the notification:

Power to supersede Authority.

Provided that before issuing a notification under this sub-section, the Central Government shall give reasonable time to that Authority to make representation against the proposed supersession and shall consider the representations, if any, of the Authority.

(2) Upon the publication of a notification under sub-section (1) superseding the Authority,—

(a) the Chairperson and other Members of the Authority shall, notwithstanding that their term of office has not expired as from the date of supersession, vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of this Act, be exercised or discharged by or on behalf of the Authority shall, during the period of supersession, be exercised and performed by such person or persons as the Central Government may direct;

(c) all property vested in the Authority shall, during the period of supersession, vest in the Central Government.

(3) On the expiration of the period of supersession specified in the notification issued under sub-section (1), the Central Government may—

(a) extend the period of supersession for such further period not exceeding six months; or

(b) reconstitute the Authority in the manner provided in section 31.

41. All Members, officers and other employees of every Authority, shall, when acting or purporting to act in pursuance of any of the provisions of this Act or the rules made thereunder, be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

45 of 1860.

Members, officers and other employees of Authority to be public servants.

CHAPTER VIII

MISCELLANEOUS

42. (1) Notwithstanding anything contained in any other law for the time being in force, if—

Reference of dispute.

(a) any dispute of civil nature arises among two or more entrepreneurs or two or more Developers or between an entrepreneur and a Developer in the Special Economic Zone; and

(b) the court or the courts to try suits in respect of such dispute had not been designated under sub-section (1) of section 23,

such dispute shall be referred to arbitration:

Provided that no dispute shall be referred to the arbitration on or after the date of the designation of court or courts under sub-section (1) of section 23.

(2) Where a dispute has been referred to arbitration under sub-section (1), the same shall be settled or decided by the arbitrator to be appointed by the Central Government.

(3) Save as otherwise provided under this Act, the provisions of the Arbitration and Conciliation Act, 1996 shall apply to all arbitration under this Act as if the proceedings for arbitration were referred in settlement or decision under the provisions of the Arbitration and Conciliation Act, 1996.

26 of 1996.

Limitation.

43. (1) The period of limitation in the case of any dispute which is required to be referred to arbitration shall be regulated by the provisions of the Limitation Act, 1963, as if the dispute was a suit and the arbitrator is civil court. 36 of 1963.

(2) Notwithstanding anything contained in sub-section (1), the arbitrator may admit a dispute after the expiry of the period of limitation, if the applicant satisfies the arbitrator that he had sufficient cause for not referring the dispute within such period.

Applicability of provisions of this Act to existing Special Economic Zones.

44. All the provisions of this Act (except sections 3 and 4) shall, as far as may be, apply to every existing Special Economic Zone.

Person to whom a communication may be sent under this Act.

45. A communication by any competent authority or person under this Act may be sent to the person who has the ultimate control over the affairs of the Special Economic Zone or Unit or where the said affairs are entrusted to a manager, director, chairperson, or managing director, or to any other officer, by whatever name called, such communication may be sent to such manager, director, chairperson, or managing director or any other officer.

Identity Card.

46. Every person, whether employed or residing or required to be present in a Special Economic Zone, shall be provided an identity card by every Development Commissioner of such Special Economic Zone, in such form and containing such particulars as may be prescribed.

Authorities responsible for administration.

47. Any authority which has been conferred upon any power, or, is, required to discharge any function under any Central or State Act, may, subject to the provisions of this Act, exercise such power or discharge such functions in any Special Economic Zone under that Act.

Protection of action taken in good faith.

48. No suit, prosecution or other legal proceeding shall lie against the Central Government or any Chairperson, Member, officer or other employee of the Board or the Approval Committee or the Authority or Development Commissioner for anything done or intended to be done in good faith under this Act.

Power to modify provisions of this Act or other enactments in relation to Special Economic Zones.

49. (1) The Central Government may, by notification, direct that any of the provision of this Act (other than sections 54 to 56) or any other Central Act or any rules or regulations made thereunder or any notification or order issued or direction given thereunder (other than the provisions relating to making of the rules or regulations) specified in the notification—

(a) shall not apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones; or

(b) shall apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones only with such exceptions, modification and adaptation, as may be specified in the notification.

(2) A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

Power of State Government to grant exemption.

50. The State Government may, for the purposes of giving effect to the provisions of this Act, notify policies for Developers and Units and take suitable steps for enactment of any law—

(a) granting exemption from the State taxes, levies and duties to the Developer or the entrepreneur;

(b) directing that any of the provisions of any State Act relating to trade unions industrial and labour disputes, welfare of labour including conditions of work, provident funds, employers liability, workmen's compensation, invalidity and old age pensions and maternity benefits or any other activity relating to the Special Economic Zones—

(i) shall not apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones; or

(ii) shall apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones only with such exceptions, modifications and adaptations, as may be specified in the notification;

(c) delegating the powers conferred upon any person or authority under any State Act to the Development Commissioner in relation to the Developer or the entrepreneur.

51. The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than this Act.

Act to have overriding effect.

52 of 1962.

52. (1) The provisions contained in the Chapter XA of the Customs Act, 1962 and the Special Economic Zones Rules, 2003 and the Special Economic Zones (Customs Procedure) Regulations, 2003 made thereunder shall not, with effect from such date as the Central Government by notification appoint, apply to the Special Economic Zones.

Certain provisions not to apply.

52 of 1962.

(2) Notwithstanding anything contained in sub-section (1), all offences committed, before the commencement of this Act, under any provisions of the Customs Act, 1962 and the Special Economic Zones Rules, 2003 and the Special Economic Zones (Customs Procedure) Regulations, 2003 made thereunder, shall continue to be governed by the said Act or rules, as the case may be.

(3) Anything done or any action taken or purported to have been done or taken including any rule, notification, inspection, order or notice made or issued or any permission or authorisation or exemption granted or any document or instrument executed under the said provisions of the Act, rules and regulations referred to in sub-section (1) shall, in so far as they are not inconsistent with the provisions of this Act, be deemed to have been done or taken or made or issued or granted under the corresponding provisions of the Act or rules or regulations referred to in that sub-section.

53. A Special Economic Zone shall, on and from the appointed day, be deemed to be a territory outside the customs territory of India for the purposes of undertaking the authorised operations.

Special Economic Zones to be ports, airports, inland container depots, land stations, etc., in certain cases.

52 of 1962.

(2) A Special Economic Zone shall, with effect from such date as the Central Government may notify, be deemed to be a port, airport, inland container depot, land station and land customs stations, as the case may be under section 7 of the Customs Act, 1962:

Provided that for the purposes of this section, the Central Government may notify different dates for different Special Economic Zones.

Amendment
to First
Schedule.

54. (1) The Central Government may, having regard to the objects of this Act, and if it considers necessary or expedient so to do, by notification add to, or as the case may be, omit from the First Schedule any enactment specified therein.

(2) A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

Power to
make rules.

55. (1) The Central Government may, by notification, make rules for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the infrastructure facilities necessary for the development of the Special Economic Zones under clause (p) and services in the Special Economic Zones under clause (z) of section 2;

(b) the period within which the person concerned shall obtain the concurrence of the State Government under sub-section (3) of section 3;

(c) the form and the manner in which a proposal may be made and the particulars to be contained therein under sub-section (5) of section 3;

(d) the period within which the State Government may forward the proposal together with its recommendation under sub-section (6) of section 3;

(e) the requirements subject to which the Board may approve, modify or reject the proposal under sub-section (8) of section 3;

(f) the period within which the grant of letter of approval shall be communicated to the State Government or Developer or entrepreneur under sub-section (10) of section 3;

(g) the other requirements for notifying the specifically identified area in a State as a Special Economic Zone under sub-section (1) of section 4;

(h) the terms, conditions and limitations subject to which the goods or services exported out of, or imported into, or procured from the Domestic Tariff Area to, a Special Economic Zone, be exempt from payment of taxes, duties, or cess under section 7;

(i) the procedure for transfer of letter of approval in case of suspension of letter of approval of a Developer under clause (a) of sub-section (9) of section 10;

(j) the form and the manner in which a proposal may be submitted and the particulars to be contained therein under sub-section (1) of section 15;

(k) the time within which a person aggrieved by the order of the Approval Committee may prefer an appeal under sub-section (4) of section 15;

(l) the form in which the appeal shall be made and the fees for making such appeal under sub-section (6) of section 15;

(m) the procedure for disposing of an appeal under sub-section (7) of section 15;

(n) the requirements (including the period for which a Unit may be set up) subject to which the proposal may be approved, modified or rejected under clause (a) of sub-section (8) of section 15;

(o) the terms and conditions for the Unit subject to which it shall undertake authorised operations under clause (b) of sub-section (8) of section 15 and the obligations and entitlements of the Unit;

(p) the time within which a person aggrieved by the order of the Approval Committee may prefer an appeal under sub-section (4) of section 16;

(q) the form in which the appeal shall be made and the fees for making such appeal under sub-section (6) of section 16;

(r) the procedure for disposing of an appeal under sub-section (7) of section 16;

(s) the form and the manner in which an application may be made for setting up of an Offshore Banking Unit in a Special Economic Zone under sub-section (1) of section 17;

(t) the requirements for setting up and operation of an International Financial Services Centre in a Special Economic Zone under sub-section (1) of section 18;

(u) the requirements and terms and conditions subject to which a Unit in the International Financial Services Centre may be set up and operated in a Special Economic Zone under sub-section (2) of section 18;

(v) the form of single application for obtaining any licence, permission or registration or approval under clause (a) of section 19;

(w) the form of single return or information to be furnished by an entrepreneur or Developer under clause (c) of section 19;

(x) the manner in which and the terms and conditions subject to which the exemptions, concessions, draw back or other benefits shall be granted to every Developer and entrepreneur under sub-section (2) of section 26;

(y) the period during which any goods brought into, or services provided in, any Special Economic Zone shall remain or continue to be provided in such Unit or Special Economic Zone under section 28;

(z) the terms and conditions subject to which transfer of ownership in any goods brought into, or produced or manufactured in, any Unit or Special Economic Zone, or removal thereof from such Unit or Zone, shall be allowed under section 29;

(za) the conditions subject to which the Units shall be entitled to sell the goods manufactured in a Special Economic Zone to the Domestic Tariff Area under section 30;

(zb) the term of office of the Members, other than *ex officio* Members, of every Authority and the manner of filling of vacancies under sub-section (6) of section 31;

(zc) the manner in which and the conditions subject to which and the purposes for which any person may be associated under sub-section (7) of section 31;

(zd) the times and the places of meetings and the procedure to be followed in the transaction of business at the meetings under sub-section (10) of section 31;

(ze) the powers and the functions of every Development Commissioner under sub-section (1) of section 32;

(zf) the method of appointment of officers and other employees of every Authority, conditions of their service and the scale of pay and allowances under sub-section (3) of section 32;

(zg) the other functions to be performed by the Authority under clause (e) of sub-section (2) of section 34;

(zh) the form in which the accounts and other relevant records of every Authority shall be maintained and annual statement of accounts shall be prepared under sub-section (1) of section 37;

(zi) the form and the manner in which and the time at which every Authority shall furnish returns and statements and other particulars to the Central Government under sub-section (1) of section 39;

(zj) the form in which and the date before which every Authority shall furnish to the Central Government the report of its activities, policy and programmes under sub-section (2) of section 39;

(zk) the form in which and the particulars to be contained in the identity cards under section 46;

(zl) any other matter which is to be, or may be, prescribed.

(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

Power to
remove
difficulties.

56. (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order publish in the Official Gazette, make such provisions not inconsistent with the provisions of this Act, as may appear to it to be necessary or expedient for removing the difficulty:

Provided that no such order shall be made under this section after the expiration of two years from the date of commencement of this Act.

(2) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

Amendment
of certain
enactments.

57. With effect from such date as the Central Government may, by notification, appoint, the enactments specified in the Third Schedule shall be amended in the manner specified therein:

Provided that different dates may be appointed on which the amendments specified in the Third Schedule shall apply to a particular Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones.

Savings.

58. All rules made or purporting to have been made or all notifications issued or purporting to have been issued under any Central Act relating to the Special Economic Zones shall, in so far as they relate to matters for which provision is made in this Act or rules made or notification issued thereunder and are not inconsistent therewith, be deemed to have been made or issued under this Act as if this Act had been in force on the date on which such rules were made or notifications were issued and shall continue to be in force unless and until they are superseded by any rules made or notifications issued under this Act.

THE FIRST SCHEDULE

(See sections 7 and 54)

ENACTMENTS

1. The Agricultural Produce Cess Act, 1940 (27 of 1940).
2. The Coffee Act, 1942 (7 of 1942).
3. The Mica Mines Labour Welfare Fund Act, 1946 (22 of 1946).
4. The Rubber Act, 1947 (24 of 1947).
5. The Tea Act, 1953 (29 of 1953).
6. The Salt Cess Act, 1953 (49 of 1953).
7. The Medicinal and Toilet Preparations (Excise Duties) Act, 1955 (16 of 1955).
8. The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957).
9. The Sugar (Regulation of Production) Act, 1961 (55 of 1961).
10. The Textiles Committee Act, 1963 (41 of 1963).
11. The Produce Cess Act, 1966 (15 of 1966).
12. The Marine Products Export Development Authority Act, 1972 (13 of 1972).
13. The Coal Mines (Conservation and Development) Act, 1974 (28 of 1974).
14. The Oil Industry (Development) Act, 1974 (47 of 1974).
15. The Tobacco Cess Act, 1975 (26 of 1975).
16. The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 (40 of 1978).
17. The Sugar Cess Act, 1982 (3 of 1982).
18. The Jute Manufactures Cess Act, 1983 (28 of 1983).
19. The Agricultural and Processed Food Products Export Cess Act, 1985 (3 of 1986).
20. The Spices Cess Act, 1986 (11 of 1986).
21. The Research and Development Cess Act, 1986 (32 of 1986).

THE SECOND SCHEDULE

(See section 27)

MODIFICATIONS TO THE INCOME TAX ACT, 1961

(43 OF 1961)

(a) in section 10,—

(A) in clause (15), after sub-clause (vii), the following clause shall be inserted at the end, namely:—

“(viii) any income by way of interest received by a non-resident or a person who is not ordinarily resident, in India on a deposit made on or after the 1st day of April, 2005, in an Offshore Banking Unit referred to in clause (u) of section 2 of the Special Economic Zones Act, 2005;”;

(B) in clause (23G), after the words, brackets, figures and letters “sub-section (4) of section 80-IA”, the words, brackets, figures and letters “or sub-section (3) of section 80-IAB” shall be inserted;

(C) in clause (34), the following *Explanation* shall be inserted, namely:—

“*Explanation.*—For the removal of doubts, it is hereby declared that the dividend referred to in section 115-O shall not be included in the total income of the assessee, being a Developer or entrepreneur.”;

(b) in section 10A, after sub-section (7A), the following sub-section shall be inserted, namely:—

“(7B) The provisions of this section shall not apply to any undertaking, being a Unit referred to in clause (zc) of section 2 of the Special Economic Zones Act, 2005, which has begun or begins to manufacture or produce articles or things or computer software during the previous year relevant to the assessment year commencing on or after the 1st day of April, 2006 in any Special Economic Zone.”;

(c) after section 10A, the following section shall be inserted, namely:—

‘10AA. (1) Subject to the provisions of this section, in computing the total income of an assessee, being an entrepreneur as referred to in clause (j) of section (2) of the Special Economic Zones Act, 2005, from his Unit, who begins to manufacture or produce articles or things or provide any services during the previous year relevant to any assessment year commencing on or after the 1st day of April, 2006, a deduction of—

(i) hundred per cent. of profits and gains derived from the export, of such articles or things or from services for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which the Unit begins to manufacture or produce such articles or things or provide services, as the case may be, and fifty per cent. of such profits and gains for further five assessment years and thereafter;

(ii) for the next five consecutive assessment years, so much of the amount not exceeding fifty per cent. of the profit as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account (to be called the “Special Economic Zone Re-investment Reserve Account”) to be created and utilised for the purposes of the business of the assessee in the manner laid down in sub-section (2).

(2) The deduction under clause (ii) of sub-section (1) shall be allowed only if the following conditions are fulfilled, namely:—

(a) the amount credited to the Special Economic Zone Re-investment Reserve Account is to be utilised—

Special provisions in respect of newly established Units in Special Economic Zones.

(i) for the purposes of acquiring machinery or plant which is first put to use before the expiry of a period of three years following the previous year in which the reserve was created; and

(ii) until the acquisition of the machinery or plant as aforesaid, for the purposes of the business of the undertaking other than for distribution by way of dividends or profits or for remittance outside India as profits or for the creation of any asset outside India;

(b) the particulars, as may be specified by the Central Board of Direct Taxes in this behalf, under clause (b) of sub-section (1B) of section 10A have been furnished by the assessee in respect of machinery or plant along with the return of income for the assessment year relevant to the previous year in which such plant or machinery was first put to use.

(3) Where any amount credited to the Special Economic Zone Re-investment Reserve Account under clause (ii) of sub-section (1),—

(a) has been utilised for any purpose other than those referred to in sub-section (2), the amount so utilised; or

(b) has not been utilised before the expiry of the period specified in sub-clause (i) of clause (a) of sub-section (2), the amount not so utilised,

shall be deemed to be the profits,—

(i) in a case referred to in clause (a), in the year in which the amount was so utilised; or

(ii) in a case referred to in clause (b), in the year immediately following the period of three years specified in sub-clause (i) of clause (a) of sub-section (2),

and shall be charged to tax accordingly:

Provided that where in computing the total income of the Unit for any assessment year, its profits and gains had not been included by application of the provisions of sub-section (7B) of section 10A, the undertaking, being the Unit shall be entitled to deduction referred to in this sub-section only for the unexpired period of ten consecutive assessment years and thereafter it shall be eligible for deduction from income as provided in clause (ii) of sub-section (1):

*Explanation:—*For the removal of doubts, it is hereby declared that an undertaking, being the Unit, which had already availed, before the commencement of the Special Economic Zones Act, 2005, the deductions referred to in section 10A for ten consecutive assessment years, such Unit shall not be eligible for deduction from income under this section:

Provided further that where a Unit initially located in any free trade zone or export processing zone is subsequently located in a Special Economic Zone by reason of conversion of such free trade zone or export processing zone into a Special Economic Zone, the period of ten consecutive assessment years referred to above shall be reckoned from the assessment year relevant to the previous year in which the Unit began to manufacture, or produce or process such articles or things or services in such free trade zone or export processing zone:

Provided also that where a Unit initially located in any free trade zone or export processing zone is subsequently located in a Special Economic Zone by reason of conversion of such free trade zone or export processing zone into a Special Economic Zone and has completed the period of ten consecutive assessment years referred to above, it shall not be eligible for deduction from income as provided in clause (ii) of sub-section (1) with effect from the 1st day of April, 2006.

(4) This section applies to any undertaking being the Unit, which has begun or begins to manufacture or produce articles or things or services during the previous year relevant to the assessment year commencing on or after the 1st day of April, 2006, in any Special Economic Zone;

(5) Where any undertaking being the Unit which is entitled to the deduction under this section is transferred, before the expiry of the period specified in this section, to another undertaking, being the Unit in a scheme of amalgamation or demerger,—

(a) no deduction shall be admissible under this section to the amalgamating or the demerged Unit, being the company for the previous year in which the amalgamation or the demerger takes place; and

(b) the provisions of this section shall, as they would have applied to the amalgamating or the demerged Unit being the company as if the amalgamation or demerger had not taken place.

(6) Loss referred to in sub-section (1) of section 72 or sub-section (1) or sub-section (3) of section 74, in so far as such loss relates to the business of the undertaking, being the Unit shall be allowed to be carried forward or set off.

(7) For the purposes of sub-section (1), the profits derived from the export of articles or things or services (including computer software) shall be the amount which bears to the profits of the business of the undertaking, being the Unit, the same proportion as the export turnover in respect of such articles or things or services bears to the total turnover of the business carried on by the assessee.

(8) The provisions of sub-sections (5) and (6) of section 10A shall apply to the articles or things or services referred to in sub-section (1) as if—

(a) for the figures, letters and word “1st April, 2001”, the figures, letters and word “1st April, 2006” had been substituted;

(b) for the word “undertaking”, the words “undertaking, being the Unit” had been substituted.

(9) The provisions of sub-section (8) and sub-section (10) of section 80-IA shall, so far as may be, apply in relation to the undertaking referred to in this section as they apply for the purposes of the undertaking referred to in section 80-IA.

Explanation 1.—For the purposes of this section,—

(i) “export turnover” means the consideration in respect of export by the undertaking, being the Unit of articles or things or services received in, or brought into, India by the assessee but does not include freight, telecommunication charges or insurance attributable to the delivery of the articles or things outside India or expenses, if any, incurred in foreign exchange in rendering of services (including computer software) outside India;

(ii) “export in relation to the Special Economic Zones” means taking goods or providing services out of India from a Special Economic Zone by land, sea, air, or by any other mode, whether physical or otherwise;

(iii) “manufacture” shall have the same meaning as assigned to it in clause (r) of section 2 of the Special Economic Zones Act, 2005;

(iv) "relevant assessment year" means any assessment year falling within a period of fifteen consecutive assessment years referred to in this section;

(v) "Special Economic Zone" and "Unit" shall have the same meanings as assigned to them under clause (za) and (zc) of section 2 of the Special Economic Zones Act, 2005.

Explanation 2.— For the removal of doubts, it is hereby declared that the profits and gains derived from on site development of computer software (including services for development of software) outside India shall be deemed to be the profits and gains derived from the export of computer software outside India;

(d) after section 54G, the following section shall be inserted, namely:—

"54GA. (1) Notwithstanding anything contained in section 54G, where the capital gain arises from the transfer of a capital asset, being machinery or plant or building or land or any rights in building or land used for the purposes of the business of an industrial undertaking situate in an urban area, effected in the course of, or in consequence of the shifting of such industrial undertaking to any Special Economic Zone, whether developed in any urban area or any other area and the assessee has within a period of one year before or three years after the date on which the transfer took place,—

Exemption of capital gains on transfer of assets in cases of shifting of industrial undertaking from urban area to any Special Economic Zone.

(a) purchased machinery or plant for the purposes of business of the industrial undertaking in the Special Economic Zone to which the said undertaking is shifted;

(b) acquired building or land or constructed building for the purposes of his business in the Special Economic Zone;

(c) shifted the original asset and transferred the establishment of such undertaking to the Special Economic Zone; and

(d) incurred expenses on such other purposes as may be specified in a scheme framed by the Central Government for the purposes of this section,

then; instead of the capital gain being charged to income-tax as income of the previous year in which the transfer took place, it shall, subject to the provisions of sub-section (2), be dealt with in accordance with the following provisions of this section, that is to say,—

(i) if the amount of the capital gain is greater than the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (a) to (d) (such cost and expenses being hereafter in this section referred to as the new asset), the difference between the amount of the capital gain and the cost of the new asset shall be charged under section 45 as the income of the previous year; and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be Nil; or

(ii) if the amount of the capital gain is equal to, or less than, the cost of the new asset, the capital gain shall not be charged under section 45, and for the purpose of computing in respect of the new asset any capital gain arising from its transfer within a period of three years of its being purchased, acquired, constructed or transferred, as the case may be, the cost shall be reduced by the amount of the capital gain.

Explanation.—In this sub-section,—

(a) "Special Economic Zone" shall have the meaning assigned to it in clause (za) of the Special Economic Zones Act, 2005;

(b) "urban area" means any such area within the limits of a municipal corporation or municipality as the Central Government may, having regard to the population, concentration of industries, need for proper planning of the area and other relevant factors, by general or special order, declare to be an urban area for the purposes of this sub-section.

(2) The amount of capital gain which is not appropriated by the assessee towards the cost and expenses incurred in relation to all or any of the purposes mentioned in clauses (a) to (d) of sub-section (1) within one year before the date on which the transfer of the original asset took place, or which is not utilised by him for all or any of the purposes aforesaid before the date of furnishing the return of income under section 139, shall be deposited by him before furnishing such return [such deposit being made in any case not later than the due date applicable in the case of the assessee for furnishing the return of income under sub-section (1) of section 139] in an account in any such bank or institution as may be specified in, and utilised in accordance with, any scheme which the Central Government may, by notification, frame in this behalf and such return shall be accompanied by proof of such deposit; and, for the purposes of sub-section (1), the amount, if any, already utilised by the assessee for all or any of the aforesaid purposes together with the amount so deposited shall be deemed to be the cost of the new asset:

Provided that if the amount deposited under this sub-section is not utilised wholly or partly for all or any of the purposes mentioned in clauses (a) to (d) of sub-section (1) within the period specified in that sub-section, then,—

(i) the amount not so utilised shall be charged under section 45 as the income of the previous year in which the period of three years from the date of the transfer of the original asset expires; and

(ii) the assessee shall be entitled to withdraw such amount in accordance with the scheme aforesaid.”;

(e) in section 80-IA, after sub-section (12), the following section shall be inserted, namely:—

“(13) Nothing contained in this section shall apply to any Special Economic Zones notified on or after the 1st April, 2005 in accordance with the scheme referred to in sub-clause (iii) of clause (c) of sub-section (4).”;

(f) after section 80-IA, the following section shall be inserted, namely:—

“80-IA B. (1) Where the gross total income of an assessee, being a Developer, includes any profits and gains derived by an undertaking or an enterprise from any business of developing a Special Economic Zone, notified on or after the 1st day of April, 2005 under the Special Economic Zones Act, 2005, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to one hundred per cent. of the profits and gains derived from such business for ten consecutive assessment years.

(2) The deduction specified in sub-section (1) may, at the option of the assessee, be claimed by him for any ten consecutive assessment years out of fifteen years beginning from the year in which a Special Economic Zone has been notified by the Central Government:

Provided that where in computing the total income of any undertaking, being a Developer for any assessment year, its profits and gains had not been included by application of the provisions of sub-section (13) of section 80-IA, the undertaking being the Developer shall be entitled to deduction referred to in this section only for the unexpired period of ten consecutive assessment years and thereafter it shall be eligible for deduction from income as provided in sub-section (1) or sub-section (2), as the case may be:

Deductions in respect of profits and gains by an undertaking or enterprise engaged in development of Special Economic Zone.

Provided further that in a case where an undertaking, being a Developer who develops a Special Economic Zone on or after the 1st day of April, 2005 and transfers the operation and maintenance of such Special Economic Zone to another Developer (hereafter in this section referred to as the transferee Developer), the deduction under sub-section (1) shall be allowed to such transferee Developer for the remaining period in the ten consecutive assessment years as if the operation and maintenance were not so transferred to the transferee Developer.

(3) The provisions of sub-section (5) and sub-sections (7) to (12) of section 80-IA shall apply to the Special Economic Zones for the purpose of allowing deductions under sub-section (1).

Explanation.—For the purposes of this section, “Developer” and “Special Economic Zone” shall have the same meanings respectively as assigned to them in clauses (g) and (za) of section 2 of the Special Economic Zones Act, 2005”;

(g) for section 80LA, the following section shall be substituted, namely:—

‘80LA. (1) Where the gross total income of an assessee,—

(i) being a scheduled bank, or, any bank incorporated by or under the laws of a country outside India; and having an Offshore Banking Unit in a Special Economic Zone; or

(ii) being a Unit of an International Financial Services Centre,

includes any income referred to in sub-section (2), there shall be allowed, in accordance with and subject to the provisions of this section, a deduction from such income, of an amount equal to—

(a) one hundred per cent. of such income for five consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission, under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949 or permission or registration under the Securities and Exchange Board of India Act, 1992 or any other relevant law was obtained, and thereafter;

(b) fifty per cent. of such income for five consecutive assessment years.

(2) The income referred to in sub-section (1) shall be the income—

(a) from an Offshore Banking Unit in a Special Economic Zone; or

(b) from the business referred to in sub-section (1) of section 6 of the Banking Regulation Act, 1949 with an undertaking located in a Special Economic Zone or any other undertaking which develops, develops and operates or develops, operates and maintains a Special Economic Zone; or

(c) from any Unit of the International Financial Services Centre from its business for which it has been approved for setting up in such a Centre in a Special Economic Zone.

(3) No deduction under this section shall be allowed unless the assessee furnishes along with the return of income,—

(i) the report, in the form specified by the Central Board of Direct Taxes under clause (i) of sub-section (2) of section 80LA, as it stood immediately before its substitution by this section, of an accountant as defined in the *Explanation* below sub-section (2) of section 288, certifying that the deduction has been correctly claimed in accordance with the provisions of this section; and

(ii) a copy of the permission obtained under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949.

Deductions in respect of certain incomes of Offshore Banking Units and International Financial Services Centre.

10 of 1949.
15 of 1992.

10 of 1949.

10 of 1949.

Explanation.—For the purposes of this section,—

(a) “International Financial Services Centre” shall have the same meaning as assigned to it in clause (g) of section 2 of the Special Economic Zones Act, 2005;

(b) “scheduled bank” shall have the same meaning as assigned to it in clause (e) of section 2 of the Reserve Bank of India Act, 1934;

2 of 1934.

(c) “Special Economic Zone” shall have the same meaning as assigned to it in clause (za) of section 2 of the Special Economic Zones Act, 2005;

(d) “Unit” shall have the same meaning as assigned to it in clause (zc) of section 2 of the Special Economic Zones Act, 2005’.

(h) in section 115JB, after sub-section (5), the following sub-section shall be inserted, namely:—

“(6) The provisions of this section shall not apply to the income accrued or arising on or after the 1st day of April, 2005 from any business carried on, or services rendered, by an entrepreneur or a Developer, in a Unit or Special Economic Zone, as the case may be.”.

(i) in section 115-0, after sub-section (5), the following sub-section shall be inserted, namely:—

“(6) Notwithstanding anything contained in this section, no tax on distributed profits shall be chargeable in respect of the total income of an undertaking or enterprise engaged in developing or developing and operating or developing, operating and maintaining a Special Economic Zone for any assessment year on any amount declared, distributed or paid by such Developer or enterprise, by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2005 out of its current income either in the hands of the Developer or enterprise or the person receiving such dividend not falling under clause (23G) of section 10.”;

(j) in section 197A, after sub-section (1C), the following sub-section shall be inserted, namely:—

“(1D) Notwithstanding anything contained in this section, no deduction of tax shall be made by the Offshore Banking Unit from the interest paid—

(a) on deposit made on or after the 1st day of April, 2005, by a non-resident or a person not ordinarily resident in India; or

(b) on borrowing, on or after the 1st day of April, 2005, from a non-resident or a person not ordinarily resident in India.

Explanation.—For the purposes of this sub-section “Offshore Banking Unit” shall have the same meaning as assigned to it in clause (u) of section 2 of the Special Economic Zones Act, 2005’.

THE THIRD SCHEDULE

(See section 57)

AMENDMENT TO CERTAIN ENACTMENTS

PART I

AMENDMENTS TO THE INSURANCE ACT, 1938

(4 OF 1938)

1. In section 2C, in sub-section (1), after the third proviso, insert:—

“Provided also an insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of this sub-section carrying on the business of insurance, may carry on any business of insurance in any Special Economic Zone as defined in clause (za) of section 2 of the Special Economic Zones Act, 2005.”

2. After section 2C, insert—

“2CA. The Central Government may, by notification, direct that any of the provisions of this Act,—

(a) shall not apply to insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of sub-section (1) of section 2C, carrying on the business of insurance, in any Special Economic Zone as defined in clause (za) of section 2 of the Special Economic Zones Act, 2005; or

(b) shall apply to any insurer being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of sub-section (1) of section 2C, carrying on the business of insurance, in any Special Economic Zone as defined in clause (za) of section 2 of the Special Economic Zones Act, 2005 only with such exceptions, modifications and adaptations as may be specified in the notification.”

Power of Central Government to apply provisions of this Act to Special Economic Zones.

PART II

AMENDMENTS TO THE BANKING REGULATION ACT, 1949

(10 OF 1949)

1. Section 53 shall be renumbered as sub-section (1) thereof and in sub-section (1) as so re-numbered, for “banking company or institution or to any class of banking companies”, substitute,—

“banking company or institution or to any class of banking companies or any of their branches functioning or located in any Special Economic Zone established under the Special Economic Zones Act, 2005.”

2. After sub-section (1) as so numbered, the following sub-section shall be inserted, namely:—

“(2) A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.”

PART III

AMENDMENT TO THE INDIAN STAMP ACT, 1899

(2 OF 1899)

In section 3, in the proviso, after clause (2), insert,—

“(3) any instrument executed, by, or, on behalf of, or, in favour of, the Developer, or Unit or in connection with the carrying out of purposes of the Special Economic Zone.

Explanation.—For the purposes of this clause, the expressions “Developer”, “Special Economic Zone” and “Unit” shall have meanings respectively assigned to them in clause (g), (za) and (zc) of section 2 of the Special Economic Zones Act, 2005.”

STATEMENT OF OBJECTS AND REASONS

The Government of India had announced a Special Economic Zone scheme in April, 2000 with a view to provide an internationally competitive environment for exports. The objectives of Special Economic Zones include making available goods and services free of taxes and duties supported by integrated infrastructure for export production, expeditious and single window approval mechanism and a package of incentives to attract foreign and domestic investments for promoting export-led growth.

2. There are at present eleven functioning Special Economic Zones. While seven Zones have been set up by the Central Government, four by the private/joint/State sector. In addition, approvals have been given for setting up of thirty-five new Special Economic Zones in the private/joint/State sector.

3. While the policy relating to the Special Economic Zones is contained in the Foreign Trade Policy, incentives and other facilities offered to the Special Economic Zone developer and units are implemented through various notifications and circulars issued by the concerned Ministries/Departments. The present system, therefore, does not lend enough confidence for investors to commit substantial funds for development of infrastructure and for setting up of the units in the Zones for export of goods and services. In order to give a long term and stable policy framework with minimum regulatory regime and to provide expeditious and single window clearance mechanism, a Central Act for Special Economic Zones has been found to be necessary in line with international practice. To achieve this purpose, a "Special Economic Zones Bill, 2005" is proposed. The salient features of the Bill are as under:—

- (i) matters relating to establishment of Special Economic Zone and for setting up of units therein, including requirements, obligations and entitlements;
- (ii) matters relating to requirements for setting up of off-shore banking units and units in International Financial Service Center in Special Economic Zone, including fiscal regime governing the operation of such units;
- (iii) the fiscal regime for developers of Special Economic Zones and units set up therein;
- (iv) single window clearance mechanism at the Zone level;
- (v) establishment of an Authority for each Special Economic Zone set up by the Central Government to impart greater administrative autonomy; and
- (vi) designation of special courts and single enforcement agency to ensure speedy trial and investigation of notified offences committed in Special Economic Zones.

4. The Bill seeks to achieve the aforesaid objects.

KAMAL NATH.

NEW DELHI;
The 5th May, 2005.

**PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 AND 274 OF THE
CONSTITUTION OF INDIA**

[Copy of letter No. Nil, dated the 6th May, 2005 from Shri Kamal Nath, Minister of
Commerce and Industry to the Secretary-General, Lok Sabha]

The President, having been informed of the subject matter of the proposed Special
Economic Zones Bill, 2005 recommends to the House the introduction and consideration
of the Bill under article 117(1), 117(3) and 274(1) of the Constitution.

Notes on clauses

Clause 2.—This clause defines certain expressions used in the Bill.

Clause 3.— This clause relates to procedure for making proposal to establish Special Economic Zone:

This clause provides that the Central Government, State Government, or any other person, jointly or severally, may establish a Special Economic Zone. Any person who, intends to set up a Special Economic Zone, may, after identifying the area, make a proposal to the State Government concerned for the purposes of setting up a Special Economic Zone. It also provides that the person, at his option may also make a proposal directly to the Board for the purpose of setting up Special Economic Zone. In cases where such proposal has been received directly from a person, the Board may grant approval and after receipt of such approval, the person concerned, shall obtain the concurrence of the State Government within prescribed time. In a case where a State Government intends to set up the Special Economic Zone, it may after identifying the area, may forward the proposal directly to the Board of Approval for setting up the Special Economic Zone. However, the Central Government can set up and notify the Special Economic Zone without referring the proposal to the State Government concerned or the Board. The State Government may, on receipt of the proposal for setting up a Special Economic Zone forward the proposal together with its recommendations to the Board of Approval within the time specified by rules made by the Central Government. The Board of Approval may, after receipt of the proposal for setting up a Special Economic Zone either approve the proposal or, approve the proposal subject to such terms and conditions as it may deem fit to impose. It can also modify or reject the proposal for setting up a Special Economic Zone. The Central Government has been conferred the power to specify by rules the minimum area of land for setting up a Special Economic Zone and other terms and conditions subject to which the Board may approve, modify or reject any such proposal received by it. This clause further provides that if the Board of Approval approves the proposal without any modification, it shall communicate the same to the Central Government. If it approves the proposal with modification, it shall communicate the same to the person or the State Government concerned, after hearing the views of such person or State Government and thereafter, the Board of Approval shall communicate the approval to the Central Government. If it rejects the proposal, it shall record the reasons therefor and communicate the rejection to the person or the State Government concerned. This clause further provides that the Central Government shall, on receipt of communication from the Board of Approval, grant, within such time as may be prescribed, a letter of approval on such terms and conditions, as approved by the Board of Approval, to the person or the State Government concerned. However the Central Government may, on the basis of approval of the Board, approve more than one developer in one Special Economic Zone in such cases where one Developer does not have in his possession the minimum area of land, as may be prescribed, for setting up a Special Economic Zone and in all such cases, each Developer shall be considered as a Developer in respect of the land in his possession.

This clause also provides that any person or a State Government, who intends to provide any infrastructure facilities in a Special Economic Zone may, after entering into an agreement with the Developer, make a proposal for the same to the Board of Approval, for its approval. Every such person or State Government, whose proposal has been approved by the Board and who, or which, has been granted letter of approval by the Central Government, shall be considered a Co-Developer.

Clause 4.—This clause relates to establishment of Special Economic Zone and approval for, and authorisation to operate it to Developer.

This clause provides that the Developer shall, after the grant of letter of approval submit the exact particulars of the identified area to the Central Government and thereupon that Government may, after satisfying that the requirements, as may be specified by rules, are fulfilled, notify the specifically identified area in the State as a Special Economic Zone. However the Central Government can also notify any additional area as a part of a Special

Economic Zone. This clause further provides that the Central Government may, after the appointed day, authorise the Developer to undertake in a Special Economic Zone, such operations which the Central Government may authorise.

Clause 5.—This clause relates to guidelines for notifying Special Economic Zone.

This clause provides that the Central Government, while notifying any area as a Special Economic Zone and for discharging its functions under the proposed legislation shall be guided by factors such as (a) generation of additional economic activity; (b) promotion of exports of goods and services; (c) promotion of investment from domestic and foreign sources; (d) creation of employment opportunities; (e) development of infrastructure facilities; and (f) maintenance of sovereignty and integrity of India, the security of the State and friendly relations with foreign States.

Clause 6.—This clause relates to the processing and non-processing areas.

It provides that the areas falling within the Special Economic Zones may be demarcated by the Central Government or any authority specified by it as (a) the processing area for setting up Units for activities, being the manufacture of goods, or rendering services; (b) the area exclusively for trading or warehousing purposes; and (c) the non-processing areas for activities other than those specified under (a) or (b) above.

Clause 7.— This clause relates to the exemption from taxes, duties or cess.

This clause provides that any goods or services exported out of, or imported into, or procured from the Domestic Tariff Area, to a Unit or Developer in a Special Economic Zone shall, subject to such terms, conditions and limitations, as may be specified by rules made by the Central Government, be exempt from the payment of taxes, duties or cess under any or all of the Central Acts which are specified in the First Schedule to the proposed legislation. The Central Acts specified in the First Schedule generally relate to levy and payment of cess.

Clause 8.—This clause relates to the constitution of Board of Approval.

This clause provides that the Central Government shall, within fifteen days of the commencement of the proposed legislation, by notification, constitute, for the purposes of the proposed legislation, a Board to be called the Board of Approval and the composition of such Board has been specified in the sub-clause (2) of the said clause. This clause further contains provisions for the term of office of Members, co-option of certain persons as Members of the Board of Approval, its meetings and quorum, etc.

Clause 9.— This clause relates to the duties, powers and functions of Board of Approval.

This clause provides that it shall be the duty of the Board to promote and ensure orderly development of the Special Economic Zones. The powers and functions of the Board specified in this clause, *inter alia*, include (a) granting of approval or rejecting proposal or modifying such proposals, for establishment of the Special Economic Zones; (b) granting approval of authorised operations to be carried out in the Special Economic Zones by the Developer; (c) granting of approval to the Developers or Units (other than the Developers or the Units which are exempt from obtaining approval under any law or by the Central Government) for foreign collaborations and foreign direct investments (including investments by a person resident outside India) in the Special Economic Zone for its development, operation and maintenance; (d) granting of approval or rejecting proposal for providing infrastructure facilities in a Special Economic Zone or modifying such proposals; (e) granting, notwithstanding anything contained in the Industries (Development and Regulation) Act, 1951, a licence to an industrial undertaking referred to in clause (d) of section 3 of that Act, if such undertaking is established, as a whole or part thereof, or proposed to be established, in a Special Economic Zone; (f) suspension of the letter of approval granted to a Developer and appointment of an Administrator under clause 10; (g) disposing of appeals preferred under sub-clause (4) of clause 15; (h) disposing of appeals preferred under sub-clause (4) of clause 16; (i) performing such other functions as may be assigned to it by the Central Government. This clause further confers power upon the Board of Approval to delegate such powers and

functions as it may deem fit to one or more Development Commissioners for effective and proper discharge of the functions of the Board.

It also provides that the Board, while exercising powers and discharging functions under the proposed legislation shall be guided by the directions relating to policy issued by the Central Government and such directions shall be binding on the Board. It also provides that the Board may, if so required for purposes of the proposed legislation or any other law for the time being in force relating to Special Economic Zone, by notification, decide as to whether a particular activity constitutes manufacture as defined in sub-clause (r) of clause 2 and such decision of the Board shall be binding on all Ministry and Departments of the Central Government.

Clause 10.— This clause relates to the suspension of letter of approval and transfer of Special Economic Zone in certain cases.

This clause contains provisions for suspension of the letter of approval granted to the Developer for a whole or part of his area established as Special Economic Zone for a period not exceeding one year and appoint an Administrator to discharge the functions of the Developer in accordance with the terms and conditions of the letter of approval and manage the Special Economic Zone accordingly. However, no letter of approval can be suspended unless the Board has given to the Developer not less than three months' notice, in writing, stating the grounds on which it proposes to suspend the letter of approval, and has considered any cause shown by the Developer within the period of that notice, against the proposed suspension.

It further provides that the Board may, instead of suspending the letter of approval permit it to remain in force subject to such further terms and conditions as it thinks fit to impose, and any further terms or conditions so imposed shall be binding upon and be complied with by the Developer and shall be of like force and effect as if they were contained in the letter of approval. In case the Board suspends a letter of approval under this section, it shall serve a notice of suspension upon the Developer and fix a date on which the suspension shall take effect. Upon suspension of the letter of approval, the Special Economic Zone of the Developer shall vest in the Administrator for a period not exceeding one year or up to the date on which his letter of approval for such Special Economic Zone is transferred to the transferee, whichever is earlier. This clause also contains provisions for transfer of the Special Economic Zone of a Developer whose licence has been suspended and take other actions consequent upon the suspension of the letter of approval. The Board of Approval has been conferred power, to issue such directions or formulate such scheme as it may consider necessary for operation of such Special Economic Zone.

Clause 11.— This clause relates to the Development Commissioner.

This clause contains provisions for the appointment of the Development Commissioner for one or more Special Economic Zones and for appointment of such Officers and other employees as it considers necessary to assist every Development Commissioner. It also contains provisions for salary and allowances and other terms and conditions of service in respect of leave, pension, provident fund and other matters of the Development Commissioner, officers and other employees.

Clause 12.— This clause relates to the functions of the Development Commissioner.

This clause provides that the Development Commissioner would ensure speedy development of the Special Economic Zone and promotion of exports therefrom. The functions of the Development Commissioner specified in this clause are to (a) guide the entrepreneurs for setting up of Units in the Special Economic Zone; (b) ensure and take suitable steps for effective promotion of exports from the Special Economic Zone; (c) ensure proper co-ordination with the Central Government or State Government Departments concerned or agencies with respect to, or for the purposes of (a) to (b) above; (d) monitor the performance of the Developer and the Unit; (e) discharge such other functions as may be assigned to him by the Central Government under the proposed legislation or any other law for the time being in force; and (f) any other functions as may be delegated to him by the Board of approval.

It further provides that every Development Commissioner shall be overall in charge of the Special Economic Zone and exercise administrative control and supervision over the officers and employees appointed to assist him. Every Development Commissioner shall discharge such functions and exercise such powers as may be delegated to him by a general or special order by the Central Government or the State Government concerned, as the case may be, and he can call for such information from a Developer and Unit from time to time as may be necessary to monitor the performance of the Developer and the Unit. The Development Commissioner has been authorised to delegate any or all of his powers or functions to any of the officers employed under him.

Clause 13.—This clause relates to the constitution of Approval Committee.

This clause provides that the Central Government shall, by notification, constitute a Committee for every Special Economic Zone, to be called the Approval Committee to exercise the powers and perform the functions specified in clause 14 of the Bill. In the case of existing Special Economic Zones, the Approval Committee shall be constituted within six months from the date of commencement of the proposed legislation and in case of other Special Economic Zones established after the commencement of the proposed legislation, the Approval Committee shall be constituted within six months from the date of establishment of such Special Economic Zone. This clause also contains provisions for meetings and its quorum. This clause also provides that all orders and decisions of the Approval Committee and all other instructions issued by it shall be authenticated by the signature of the Chairperson or any other Member as may be authorised by the Approval Committee.

Clause 14.—This clause relates to the powers and functions of Approval Committee.

This clause provides that every Approval Committee shall discharge the functions and exercise the powers in respect of the matters specified in this clause, namely, (a) approve, import or procurement of goods from the Domestic Tariff Area, in the Special Economic Zone for carrying on the authorised operations by a Developer; (b) approve, providing of services by a service provider from outside India or from the Domestic Tariff Area for carrying on the authorised operations by the Developer, in the Special Economic Zone; (c) monitor the utilisation of goods or services or warehousing or trading in the Special Economic Zone; (d) approve, modify or reject proposals for setting up Units in accordance with the provisions of the proposed legislation; (e) approve foreign collaborations and foreign direct investments, including investments by a person outside India for setting up a Unit; (f) monitor and supervise compliance of conditions subject to which the letter of approval or permission, if any, is granted to the Developer or to an entrepreneur; and (g) perform any other functions as may be delegated to it by the Central Government or the State Government concerned, as the case may be. This clause further provides that the Approval Committee shall not discharge such functions and exercise such powers in relation to the Developer being the Central Government as may be specified by it.

Clause 15.—This clause relates to the setting up of Unit.

This clause provides that any person, who intends to set up a Unit for carrying on the authorised operations in a Special Economic Zone, may submit a proposal to the Development Commissioner concerned. It further provides that the Development Commissioner shall, on receipt of the proposal place the proposal before the Approval Committee for its approval. The Approval Committee may, either approve the proposal without modification, or approve the proposal with modifications subject to such terms and conditions as it may deem fit to impose, or reject the proposal in accordance with the provisions contained in this clause. In case of modification or rejection of a proposal, the Approval Committee shall afford a reasonable opportunity of being heard to the person concerned and after recording the reasons therefor, either modify or reject the proposal. This clause also confers powers upon the Central Government to prescribe the requirements subject to which the Approval Committee may approve, modify or reject the proposal. The Development Commissioner may, after the approval of the proposal, grant a letter of approval to the person concerned to set up a Unit and undertake in the Unit such operations which the Development Commissioner

may authorise and every such operation so authorised shall be mentioned in the letter of approval.

Clause 16.—This clause relates to the cancellation of letter of approval granted to entrepreneur.

This clause, *inter alia*, confers power upon the Approval Committee to cancel the letter of approval of an entrepreneur after reasonable opportunity of being heard has been afforded to the entrepreneur. The Approval Committee may, at any time, cancel the letter of approval if it has any reason or cause to believe that the entrepreneur has persistently contravened any of the terms and conditions subject to which the letter of approval was granted to the entrepreneur. It further provides that where the letter of approval has been cancelled, the Unit shall not, from the date of such cancellation, be entitled to any exemption, concession, benefit or deduction available to it as such and such Unit shall remit the exemption, concession, drawback and any other benefit availed by him in respect of the capital goods, finished goods and unutilised raw materials in such manner as the Approval Committee may direct. It also contains provisions for making an appeal by any person aggrieved from an order of the Approval Committee.

Clause 17.—This clause relates to the setting up and operation of Offshore Banking Unit.

This clause provides that an application for setting up and operation of an Offshore Banking Unit in a Special Economic Zone may be made to the Reserve Bank in such form and manner as may be specified by it. If, the Reserve Bank, on receipt of an application, is satisfied that the applicant fulfills all the conditions specified under sub-clause (3) of this clause, it shall grant permission to such applicant for setting up and operation of an Offshore Banking Unit in a Special Economic Zone. This clause further provides that the Reserve Bank, by notification, specify the terms and conditions subject to which an Offshore Banking Unit may be set up and operated in the Special Economic Zone.

Clause 18.—This clause relates to the setting up of International Financial Services Centre.

This clause confers power upon the Central Government to approve setting up of an International Financial Services Centre in a Special Economic Zone and also to specify by the rules made by it the requirements for setting up the operation of such Centre. Such requirements shall be specified by the Central Government subject to the guidelines as may be framed by the Reserve Bank, the Security and Exchange Board of India, the Insurance Regulatory and Development Authority and such other authority as it may deem fit.

Clause 19.—This clause relates to the single application form, return, etc.

This clause provides that the Central Government may, if required, specify by the rules made by it a single application form for obtaining any licence, permission or registration or approval by a Developer, or an entrepreneur under one or more Central Acts and a single form for furnishing returns or information by a Developer or an entrepreneur under one or more Central Acts.

Clause 20.—This clause relates to the agency to inspect.

This clause confers power upon the Central Government to specify, by notification, any officer or agency for carrying out surveys or inspections to ensure or verify compliance with the provisions of any Central Act by a Developer or an entrepreneur, as the case may be, and such officer or agency is required to submit verification or compliance report, in such manner and within such time as may be specified in that notification.

Clause 21.—This clause relates to the single enforcement officer or agency for notified offence.

This clause provides that the Central Government may, by notification, specify any act or omission made punishable under any Central Act, as notified offence for purposes of the proposed legislation. It further confers power upon the Central Government to authorise any officer or agency to be the enforcement officer or agency in respect of any notified

offence committed in a Special Economic Zone. Every officer or agency authorised under sub-clause (2) of this clause shall have all the corresponding powers of investigation, search or seizure as is provided under the relevant Central Act in respect of the notified offences.

Clause 22.—This clause relates to investigation, inspection, search or seizure.

This clause provides that the agency or officer, specified under clause 20 or clause 21, of the Bill may, with prior intimation to the Development Commissioner concerned, carry out the investigation, inspection, search or seizure in the Special Economic Zone or in a Unit if such agency or officer has reasons to believe (reasons to be recorded in writing) that a notified offence has been committed or is likely to be committed in the Special Economic Zone. However, no investigation, inspection, search or seizure shall be carried out in a Special Economic Zone by any agency or officer other than those referred to in sub-clause (2) or sub-clause (3) of clause 21 of the Bill without prior approval of the Development Commissioner concerned. However an officer or agency, if so authorised by the Central Government, may carry out the investigation, inspection search or seizure in the Special Economic Zone or Unit without prior intimation or approval of the Development Commissioner.

Clause 23.— This clause relates to Designated Courts to try suits and notified offences.

This clause requires that Designated Courts shall try all suits of a civil nature arising in the Special Economic Zone and conduct trial of notified offences committed in the Special Economic Zone. No court, other than the court designated under this clause can try any suit or conduct trial of any suit or offence referred above. This clause also contains provision of transitory in nature so far as trial of the suits of a civil nature and conducting of trial of notified offences arising in the Special Economic Zone are concerned.

Clause 24.—This clause contains provisions for appeal to High Court.

This clause provides that any person aggrieved by any decision or order of the court designated under sub-clause (1) of clause 23 of the Bill, may file an appeal to the High Court within sixty days from the date of communication of the decision or order of the said court to him on any question of fact or law arising out of such orders. However the High Court can, if it is satisfied that the appellant was prevented by sufficient cause from filing an appeal within the said period, allow it to be filed within a further period not exceeding sixty days. This clause further defines the expression "High Court" which means the High Court of the State in which the Special Economic Zone is situated.

Clause 25.—This clause relates to offences by companies.

This clause provides that where an offence under the proposed legislation has been committed by a company, every person who at the time the offence was committed was in charge of and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. However such person shall not be liable to any punishment if he proves that the offence was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

It further provides that where an offence has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall, also be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Clause 26.—This clause relates to exemptions, drawbacks and concessions to every Developer or entrepreneur.

This clause contains provisions for the exemptions, drawbacks and concessions to Developer or entrepreneur from any duty of customs under the Customs Act, 1962, the Customs Tariff Act, 1975, the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or any other law for the time being in force which may be admissible to them from time to time, exemption from the service tax under Chapter V of the Finance Act, 1994 and exemption

from levy of taxes on sale or purchase of goods for carrying on authorised operations. The Central Government has been also proposed to be conferred power to specify by rules the manner in which and the terms and conditions subject to which, the exemptions and concessions shall be granted.

Clause 27.—This clause applies the provisions of the Income-tax Act, 1961 with certain modification in relation to Developers and entrepreneur.

This clause, *inter alia*, proposes to apply the provisions of the Income-tax Act, 1961 with certain modification in relation to the Developer and entrepreneur for carrying on the authorised operations in the Special Economic Zones or Unit and such modifications are specified in the Second Schedule to the Bill.

The modifications which are, *inter alia*, specified in the Second Schedule are as under:—

(a) It is proposed to insert a new clause 10AA in the Income-tax Act, 1961 incorporating certain special provisions in respect of newly established Units in Special Economic Zones providing deductions of hundred per cent. of profits and gains derived from the export broadly on the lines of section 10A of the Income-tax Act, 1961.

(b) It is further proposed to grant exemption of capital gains on transfer of assets in case of shifting of industrial undertaking from urban area or any other area to a Special Economic Zone broadly on the lines of existing section 54G of the Income-tax Act, 1961.

(c) It is also proposed to allow deductions in respect of profits and gains by an undertaking or enterprise engaged in development of a Special Economic Zone broadly on the lines of existing section 80-IA of the Income-tax Act, 1961.

(d) It is also proposed to allow deduction in respect of certain incomes of Offshore Banking Units and International Financial Services Centre broadly on the lines of existing section 80-LA of the Income-tax Act, 1961.

(e) It is also proposed to make provision in the Income-tax Act, 1961 to provide that no tax on distributed profits shall be chargeable in respect of the total income of an undertaking or enterprise engaged in developing or developing and operating or developing, operating and maintaining a Special Economic Zone for any assessment year on any amount declared, distributed or paid by such Developer or enterprise, by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2005 out of its current income either in the hands of Developer or enterprise or the person receiving such dividend not falling under section 10 of the Income-tax Act, 1961.

(f) It also proposed to provide that the provisions of section 115JB of the Income-tax Act, 1961 shall not apply to the income accrued or arising from any business carried on, or services rendered, by an entrepreneur or Developer, in a Unit or Special Economic Zone.

Clause 28.— This clause relates to duration of goods in Special Economic Zones.

The Central Government may specify, by rules made by it, the period during which any goods brought into, or services provided in, any Unit without payment of taxes, duties, levies or cess, shall remain or continue to be provided in such Unit or Special Economic Zone.

Clause 29.— This clause relates to transfer of ownership and removal of goods.

The transfer of ownership in any goods brought into, or produced or manufactured in, any Unit or Special Economic Zone or removal thereof from such Unit or Zone shall be allowed, subject to such terms and conditions as the Central Government may specify by rules made by it.

Clause 30.— This clause relates to domestic clearance by Units.

This clause provides that (a) any goods removed from a Special Economic Zone to the Domestic Tariff Area shall be chargeable to duties of customs including anti-dumping,

countervailing and safeguard duties under the Customs Tariff Act, 1975, where applicable, as leviable on such goods when imported; and (b) the rate of duty and tariff valuation, if any, applicable to goods admitted to or removed from, a Special Economic Zone shall be at the rate and tariff valuation in force as on the date of such removal, and where such date is not ascertainable, on the date of payment of duty.

Clause 31.— This clause relates to constitution of Authority.

This clause provides that the Central Government shall, on every appointed day, constitute, for every Special Economic Zone established before commencement of the proposed legislation or which may be established after such commencement by the Central Government, an Authority to discharge the functions assigned to it under proposed legislation. The head office of every Authority shall be at such place as the Central Government may specify. The Authority may, with the previous approval of the Central Government, establish branch offices at other places in India. This clause, *inter alia*, also contains provisions for the composition of the Authority, terms of office of the members, manner of filling of vacancies, allowances or fees of members and such rules of procedure in regard to the transaction of business at its meetings (including quorum at such meetings) of the Authority, etc.

Clause 32.— This clause relates to officers of Authority and other staff.

This clause provides that every Development Commissioner of the Special Economic Zone for which he is appointed as such shall be the chief executive of the Authority concerned and exercise such powers and perform such functions as may be specified by rules made by the Central Government. This clause also contains provisions relating to method of appointment, the conditions of service and the scales of pay and allowances of such other officers and employees of the Authority.

Clause 33.— This clause relates to special provision for transfer of employees to Authority.

This clause contains provisions for, transfer by the Central Government of certain officers or employees to each Authority, scale of pay of such officers and employees and other terms and conditions of service of such employees and officers.

Clause 34.— This clause relates to functions of Authority.

This clause imposes a duty upon the Authority (constituted for every Special Economic Zone) to undertake such measures as it thinks fit for the development, operation and management of the Special Economic Zone for which it is constituted. Such measures are (a) the development of infrastructure in the Special Economic Zone; (b) promoting exports from the Special Economic Zone; (c) reviewing the functioning and performance of the Special Economic Zone; (d) levy user or service charges or fees or rent for the use of properties belonging to the Authority; (e) performing such other functions as may be prescribed.

Clause 35.— This clause relates to grants and loans by the Central Government.

This clause provides that the Central Government may, after due appropriation made by Parliament by law in this behalf, make to every Authority by way of grants and loans such sums of money as that Government may think fit for being utilised for the purposes of the proposed legislation.

Clause 36.— This clause relates to constitution of Fund and its application.

This clause provides for establishment of Fund. There shall be credited to the Fund (a) all sums of money, which the Central Government may, after due appropriation made by Parliament by law in this behalf, provide to the Authority; (b) all grants or loans that may be made to the Authority under the proposed legislation; (c) all sums received on account of user or service charges or fees or rent for the use of properties belonging to the Authority; (d) all sums received by the Authority from such other sources as may be decided upon by the Central Government.

It further provides that the Fund shall be applied for meeting (a) the salaries, allowances and other remuneration of the members, officers and other employees of the Authority; (b) the expenses of the Authority in the discharge of its functions under clause 34; (c) repayment of any loan; (d) the expenses on objects and for purposes authorised by the proposed legislation and (e) meeting any other administrative expenses of the Authority.

Clause 37.— This clause relates to accounts and audit.

This clause provides that every Authority of the Special Economic Zone set up by the Central Government shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be specified by rules made by the Central Government in consultation with the Comptroller and Auditor-General of India. The accounts of every Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Authority to the Comptroller and Auditor-General of India. The Comptroller and Auditor-General of India or any person appointed by him in connection with the audit of the accounts of the Authority shall have the same rights and privileges and authority in connection with such audit as the Comptroller and Auditor-General of India generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Authority. The accounts of every Authority as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf together with the audit report thereon shall be forwarded annually to the Central Government and the Central Government shall cause the same to be laid before each House of Parliament.

Clause 38.— This clause confers power upon the Central Government to give directions.

This clause provides that every Authority of the Special Economic Zone set up by the Central Government shall be bound to carry out such directions as may be issued to it from time to time by the Central Government for the efficient administration of the proposed legislation.

Clause 39.— This clause relates to returns and reports.

This clause provides that every Authority of the Special Economic Zone set up by the Central Government shall furnish to the Central Government such returns and statements and such particulars in regard to the promotion and development of exports and the operation and maintenance of the Special Economic Zone and Units as that Government may, from time to time, require. It further provides that every Authority shall, as soon as possible, after the end of each financial year, submit to the Central Government a report in such form and before such date, as may be specified by rules made by the Central Government, giving a true and full account of its activities, policy and programmes during the previous financial year. A copy of every such report received shall be laid, as soon as may be, after it is received, before each House of Parliament.

Clause 40.— This clause relates to power to supersede Authority.

This clause provides that if at any time the Central Government is of the opinion that an Authority is unable to perform, or has persistently made default in the performance of, the duty imposed on it by or under the proposed legislation or has exceeded or abused its powers, or has wilfully or without sufficient cause, failed to comply with any direction issued by the Central Government under clause 38, the Central Government may, by notification supersede that Authority for such period not exceeding six months, as may be specified in the notification. However, before issuing a notification under this sub-clause, the Central Government shall give reasonable time to that Authority to show cause why it should not be superseded and shall consider the explanation, if any, of the Authority. It further provides that upon the publication of the notification superseding the Authority, (a) all the Members of the Authority shall, notwithstanding that their term of office has not expired as from the date of supersession, vacate their offices as such Members; (b) all the powers, functions and

duties which may, by or under the provisions of the proposed legislation, be exercised or discharged by or on behalf of the Authority shall, during the period of supersession, be exercised and performed by such person or persons as the Central Government may direct; (c) all property vested in the Authority shall, during the period of supersession, vest in the Central Government. It also provides that on the expiration of the period of supersession specified in the notification issued under sub-clause (1) of this clause, the Central Government may extend the period of supersession for such further period not exceeding six months or reconstitute the Authority in the manner provided in clause 31 of the Bill.

Clause 41.— This clause provides that Members, officers and other employees of every Authority to be public servants.

It provides that all Members, officers and other employees of every Authority, shall, when acting or purporting to act in pursuance of any of the provisions of the proposed legislation or any rule made thereunder, be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

Clause 42.— This clause relates to reference of dispute.

This clause provides that notwithstanding anything contained in any other law for the time being in force, if (a) any dispute of civil nature arises among two or more entrepreneurs or two or more Developers or between the entrepreneur and Developer in the Special Economic Zone; and (b) the court or the courts to try suits in respect of such dispute had not been designated under sub-clause (1) of clause 23, such dispute shall be referred to arbitration. However no dispute shall be referred to the arbitration on or after the date of the designation of court or courts under sub-clause (1) of clause 23. It further provides that where a dispute has been referred to arbitration, the same shall be settled or decided by the arbitrator to be appointed by the Central Government. It also provides that, the provisions of the Arbitration and Conciliation Act, 1996 shall apply to all arbitration under the proposed legislation as if the proceeding for arbitration were referred in settlement or decision under the provisions of the Arbitration and Conciliation Act, 1996.

Clause 43.— This clause relates to limitation.

This clause provides that the period of limitation in the case of any dispute which is required to be referred to arbitration shall be regulated by the provisions of the Limitation Act, 1963, as if the dispute was a suit and the arbitrator is civil court. It further provides that the arbitrator may admit, a dispute after the expiry of the period of limitation, if the applicant satisfies the arbitrator that he had sufficient cause for not referring the dispute within such period.

Clause 44.— This clause relates to applicability of provision of the proposed legislation to the existing Special Economic Zones.

This clause provides that all the provisions of the proposed legislation (except provisions contained in clauses 3 and 4) shall, as far as may be apply, to every existing Special Economic Zones.

Clause 45.— This clause relates to person to whom a communication may be sent under the proposed legislation.

This clause provides that a communication by any competent authority or person under the proposed legislation may be sent to the person who has the ultimate control over the affairs of the Special Economic Zone or Unit or where the said affairs are entrusted to a manager, director, chairperson, or managing director, or to any other officer, by whatever name called, such communication may be sent to such manager, director, chairperson, or managing director or any other officer.

Clause 46.— This clause relates to identity card.

This clause provides that every person whether employed or residing or required to be present in a Special Economic Zone shall be provided an identity card by every

Development Commissioner in such form and containing such particulars as may be specified by rules made by the Central Government.

Clause 47.—This clause relates to authorities responsible for administration.

This clause provides that any authority which, has been conferred upon any power or, is, required to discharge any function under any Central or State Act, may, subject to the provisions of the proposed legislation, exercise such powers or discharge such functions in any Special Economic Zone under that Act.

Clause 48.—This clause relates to protection of action taken in good faith.

It provides that no suit, prosecution or other legal proceeding shall lie against the Central Government or any Chairperson, Member, officer or other employee of the Board of Approval, Approval Committee, the Authority or Development Commissioner for anything done or intended to be done in good faith under the proposed legislation.

Clause 49.—This clause relates to power to modify provisions of the proposed legislation or other enactments in relation to Special Economic Zones.

This clause provides that the Central Government may, by notification in the Official Gazette, direct that any of the provision of the proposed legislation or any other Central Act, any rules or regulations made thereunder or any notification or order issued or direction given thereunder (other than the provisions relating to making of the rules or regulations) specified in the notification (a) shall not apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones; or (b) shall apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones only with such exceptions, modification and adaptation, as may be specified in the notification. A copy of every notification proposed to be issued under sub-clause (1), shall be laid in draft before each House of Parliament. The notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

Clause 50.—This clause relates to the power of State Government to grant exemptions.

This clause confers power upon the State Government to notify policies for Developers and Units and to take suitable steps for enactment of any law (a) granting exemption from the State taxes, levies and duties to the Developer or the entrepreneur; (b) directing that any of the provisions of any State Act relating to trade unions, industrial and labour disputes, welfare of labour including conditions of work, provident funds, employers liability, workmen's compensation, invalidity and old age pensions and maternity benefits or any other activity relating to the Special Economic Zones shall not apply or shall apply, with such exceptions, modifications and adoptions as may be notified in the notifications, to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones, and (c) delegating the powers conferred upon any person or authority under any State Act to the Development Commissioner in relation to the Developer or the entrepreneur.

Clause 51.—This clause relates to the proposed legislation to have overriding effect.

This clause provides that the provisions of the proposed legislation shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than the proposed legislation.

Clause 52.— This clause relates to certain provisions not to apply.

This clause, *inter alia*, provides that the Chapter X-A of the Customs Act, 1962 and the Special Economic Zones Rules, 2003 and the Special Economic Zones (Customs Procedure) Regulations, 2003 made thereunder shall not apply to the Special Economic Zones. It further provides that all offences committed, under any provisions of the Customs Act, 1962 and the Special Economic Zones Rules, 2003 and the Special Economic Zones (Customs Procedure) Regulations, 2003 made thereunder, before the coming into force of the proposed legislation shall continue to be governed by the said Acts or rules.

Clause 53.—Special Economic Zones to be ports, airports, inland container depots, land stations, in certain cases.

This clause provides that a Special Economic Zone, on and from the appointed day, be deemed to be a territory outside the customs territory of India for the purpose of undertaking the authorised operations.

It further provides that a Special Economic Zone shall, with effect from such date as the Central Government may notify, be deemed to be a port, airport, inland container depot, land station and land customs stations under section 7 of the Customs Act, 1962. The Central Government has been conferred power to notify different dates under this clause for different Special Economic Zones.

Clause 54.— This clause relates to amendment to the First Schedule.

This clause provides that the Central Government may, having regard to the objects of the proposed legislation and if it considers necessary or expedient so to do, by notification add to, or as the case may be, omit from the First Schedule any entry relating to any Central Act. A copy of every notification proposed to be issued shall be laid in draft before each House of Parliament. The notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses of Parliament.

Clause 55.— This clause relates to power to make rules.

This clause confers power upon the Central Government to make rules in respect of matters specified in the said clause. The rules made by the Central Government shall be published in the Official Gazette and be laid before each House of Parliament.

Clause 56.— This clause relates to power to remove difficulties.

This clause empowers the Central Government to remove difficulties in giving effect to the provisions of the proposed legislation, by an order published in the Official Gazette, to make such provisions which are not inconsistent with the provisions of the proposed legislation as may be necessary or expedient for removing the difficulties. No such order shall be made under this clause after the expiration of two years from the date of commencement of the proposed legislation.

Clause 57.—This clause relates to amendment of certain enactments.

This clause provides that the enactments specified in the Third Schedule shall be amended in the manner specified therein. These enactments proposed to be amended are the Insurance Act, 1938, the Banking Regulation Act, 1949 and the Indian Stamp Act, 1899. These amendments shall take effect with effect from such date as the Central Government may, by notification appoint. However different dates may be appointed on which the amendments specified in the Third Schedule shall apply.

It is proposed to insert the fourth proviso in sub-section (1) of section 2C of the Insurance Act, 1938 so as to provide that an insurer being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of this sub-section carrying on the business of insurance, may carry on any business of insurance in any Special Economic Zone referred to in clause (za) of section 2 of the Special Economic Zones Bill, 2005. It is further proposed to insert new section 2CA in the aforesaid Act so as to confer power upon the Central Government to direct that any of the provisions of the said Act, (i) shall not apply to an insurer, being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of this sub-section, carrying on the business of insurance, in any Special Economic Zone as defined in clause (za) of clause 2 of the proposed Legislation; or (ii) shall apply to any insurer being an Indian Insurance Company, insurance co-operative society or a body corporate referred to in clause (c) of said sub-section (1) of section 2C, carrying on the business of insurance, in any Special Economic Zone as defined in clause (za) of clause 2 of the proposed legislation only with such exceptions, modifications and adaptations as may be specified in the notification.

It is further proposed to amend section 53 of the Banking Regulation Act, 1949 so as to extend the scope of exemption to the banking company or institution or to any class of banking companies or any of their branches functioning or located in any Special Economic Zone established under the proposed Legislation.

It is also proposed to insert paragraph (3) in the proviso of section 3 of the Indian Stamp Act, 1899 so as to include within the scope of said provision any instrument executed by, or on behalf of, or in favour of the Developer, or Units or in connection with the carrying out of purposes of the Special Economic Zone as referred to in clause (za) of clause 2 of the proposed Legislation.

Clause 58.— This clause relates to savings.

This clause provides that all rules made or purporting to have been made or all notifications issued or purporting to have been issued under any Central Acts relating to Special Economic Zone shall, in so far as they relate to matters for which provision is made in the proposed legislation and are not inconsistent therewith, be deemed to have been made or issued under the proposed legislation as if the proposed legislation had been in force on the date on which such rules were made or notifications were issued and shall continue to be in force unless and until they are superseded by any rules made or notifications issued under the proposed legislation.

FINANCIAL MEMORANDUM

Clause 11 of the Bill provides for appointment of Development Commissioner and other officers and employees to assist the Development Commissioner in the performance of his functions. The Ministry of Commerce and Industry (Department of Commerce) presently meets such expenditure. Further, clause 35 of the Bill provides for grants and loans by the Central Government to the authority in respect of the Special Economic Zones set up by the Central Government for being utilised for carrying out its functions. Since at present Special Economic Zones are functioning as subordinate offices of the Ministry of Commerce and Industry (Department of Commerce) and their administrative expenditure is being met from the budget of the Ministry of Commerce and Industry (Department of Commerce), there is no likelihood of additional expenditure on account of grants and loans by the Central Government to the Authority. Hence, at this stage, no additional recurring or non-recurring expenditure is involved in the administration of the proposed legislation.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 49 of the Bill empowers the Central Government to modify provisions of the proposed legislation or other enactments in relation to Special Economic Zones. Sub-clause (1) of this clause provides that the Central Government may, by notification in the Official Gazette, direct that any of the provision of the proposed legislation (other than clauses 54 to 56) or any other Central Act, any rules or regulations made thereunder or any notification or order issued or direction given thereunder (other than the provisions relating to making of the rules or regulations) specified in the notification (a) shall not apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones; or (b) shall apply to a Special Economic Zone or a class of Special Economic Zones or all Special Economic Zones only with such exceptions, modification and adaptation, as may be specified in the notification.

2. Clause 54 of the Bill empowers the Central Government to make amendment to the First Schedule to the Bill. Sub-clause (1) of this clause provides that the Central Government may, having regard to the objects of the proposed legislation, and if it considers necessary or expedient so to do, by notification add to, or as the case may be, omit from the First Schedule any entry relating to any Central Act specified therein.

3. A copy of every notification proposed to be issued under clauses 49 and 54, shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be, issued only in such modified form as may be agreed upon by both the Houses.

4. Clause 55 of the Bill empowers the Central Government to make rules, by notification, to carry out the provisions of the proposed, legislation. The matters in respect of which such rules may be made are specified therein. These matters relate, *inter alia*, to provide for (a) the infrastructure facilities necessary for the development of the Special Economic Zone under clause (p) and services in the Special Economic Zone under clause (z) of section 2; (b) the period within which the person concerned shall obtain the concurrence of the State Government under sub-section (3) of section 3; (c) the form and the manner in which proposal may be made and the particulars to be contained therein under sub-section (5) of section 3; (d) the period within which the State Government may forward the proposal together with its recommendation under sub-section (6) of section 3; (e) the requirements subject to which the Board may approve, modify or reject the proposal under sub-section (8) of section 3; (f) the period within which a letter of approval or rejection shall be communicated to the State Government or Developer or entrepreneur under sub-section (10) of section 3; (g) the other requirements for notifying the specifically identified area in a State as a Special Economic Zone under sub-section (1) of section 4; (h) the terms, conditions and limitations subject to which the goods or services exported out of, or imported into, or procured from the Domestic Tariff Area to, a Special Economic Zone, be exempt from payment of taxes, duties or cess under section 7; (i) the procedure for transfer of letter of approval in case of suspension of letter of approval of a Developer under clause (a) of sub-section (9) of section 10; (j) the form and the manner in which a proposal may be submitted and the particulars to be contained therein under sub-section (1) of section 15; (k) time within which a person aggrieved by the order of the Approval Committee may prefer an appeal under sub-section (4) of section 15; (l) the form in which the appeal shall be made and the fees for making appeal under sub-section (6) of section 15; (m) the procedure for disposing of an appeal under sub-section (7) of section 15; (n) the requirements subject to which the proposal may be approved, modified or rejected under clause (a) of sub-section (8) of section 15; (o) the terms and conditions, obligations and entitlements for the Unit subject to which it shall undertake authorised operations under clause (b) of sub-section (8) of section 15; (p) time

within which a person aggrieved by the order of the Approval Committee may prefer an appeal under sub-section (4) of section 16; (q) the form in which the appeal shall be made and the fees for making appeal under sub-section (6) of section 16; (r) the procedure for disposing of an appeal under sub-section (7) of section 16; (s) the form and the manner in which an application may be made for setting up of an Offshore Banking Unit in a Special Economic Zone under sub-section (1) of section 17; (t) the requirements for setting up and operation of the International Financial Services Centre in a Special Economic Zone under sub-section (1) of section 18; (u) the terms and conditions subject to which a Unit in the International Financial Services Centre may be set up and operated in Special Economic Zone under sub-section (2) of section 18; (v) the form of single application for obtaining any licence, permission or registration or approval under clause (a) of section 19; (w) the form of single return or information to be furnished by an entrepreneur or Developer under clause (c) of section 19; (x) the manner in which and the terms and conditions subject to which the exemptions, concessions and drawback or other benefits shall be granted to every Developer and entrepreneur under sub-section (2) of section 26; (y) the period during which any goods brought into, or services provided in, any Special Economic Zone shall remain or continue to be provided in such Unit or Special Economic Zone under section 28; (z) the conditions subject to which transfer of ownership of any goods brought into, or produced or manufactured in, a Special Economic Zone, or removal thereof from the Zone, shall be allowed under section 29; (za) the conditions subject to which the Units shall be entitled to sell the goods manufactured in a Special Economic Zone to the Domestic Tariff Area under section 30; (zb) the terms of office of the Members, other than *ex officio* Members, of every Authority and the manner of filling of vacancies under sub-section (6) of section 31; (zc) the manner in which and the conditions subject to which and the purposes for which any person may be associated under sub-section (7) of section 31; (zd) the times and the places of meetings and the procedure to be followed in the transaction of business meeting under sub-section (10) of section 31; (ze) the powers and the functions of every Development Commissioner under sub-section (1) of section 32; (zf) the method of appointment of officers and other employees of every Authority, conditions of their service and the scale of pay and allowances under sub-section (3) of section 32; (zg) the functions to be performed by the Authority under clause (e) of sub-section (2) of section 34; (zh) the form in which the accounts and other relevant records of every Authority shall be maintained and annual statement of accounts shall be prepared under sub-section (1) of section 37; (zi) the form and the manner in which and the time at which every Authority shall furnish returns and statements and other particulars to the Central Government under sub-section (1) of section 39; (zj) the form in which and the date before which every Authority shall furnish to the Central Government the report of its activities, policy and programmes under sub-section (2) of section 39; (zk) the form in which and the particulars to be contained in the identity cards under section 46; and (zl) any other matter which is to be, or may be, prescribed.

5. The rules made by the Central Government shall be laid, as soon as may be after they are made, before each House of Parliament.

6. The matters in respect of which rules and regulations may be made are generally matters of procedure and administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power involved is of a normal character.

G. C. MALHOTRA,
Secretary-General.